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The Birdcage: How China is Establishing its Hegemony Using Bad Debts. A Case Study of Venezuela and Sri Lanka.

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Abstract In 2016 China offered Venezuela a loans moratorium for two years in addition to new credits in order to increase its oil production capacity. On the other hand, in 2017, China moved ahead and seized the Hambantota port in Sri Lanka, after the country signalled its inability to pay back China's loans. A move that sparked a wide range criticism of China's actions, accusing it of debt trapping emerging countries for geopolitical gains. This thesis seeks to explain this varied behaviour from the part of China by arguing that in both cases, China's material interests, its global power-seeking, and counterbalancing against the hegemon and its status quo collaborators and not the common norms and values it shares with the debtor's countries played the more critical factor in China's decision on how to deal with debtors in distress. The thesis demonstrated that a social constructivism approach is not sufficient to explain China's behaviour, whereas a realism approach is better equipped to understand China's behaviour better.

Keywords The Hambantota port; China Debt Trap; Venezuela Loans Default; String of Pearls; China Global Hegemony; China Revisionist State.

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List of Acronyms and Abbreviations

BRI	Belt and Road Initiative
EU	European Union
HRW	Human Right Watch
PRC	People's Republic of China
MFA	Sri Lankan Ministry of Foreign Affairs
UN	United Nations
UNHRC	UN Human Rights Council
UNSC	United Nation Security Council
UK	United Kingdom
US	United States
USCC	US-China Economic & Security Review Commission

Chapter 1: Introduction

China's varying approach in dealing with its debtors in repayment distress, namely Sri Lanka and Venezuela, is puzzling. On the one hand, China refinanced and restructured a big chunk of the loans owned by Venezuela and accepted to extend significant budgetary investments to the country in 2016 and beyond, well after the crash on price oils in 2014. These investments happened while knew all well in advance that Venezuela might not be able to repay its debts promptly, if ever. In the case of Sri Lanka on the other hand, China did not offer any debt forgiveness or debt restructuring, when the country signalled its inability in 2015 to pay back its debts due concerning the construction of the Hambantota port. A port constructed in the hometown of at the time Sri Lanka president Mahinda Rajapaksa and financed by China. Instead, China chose to sign a deal with the Sri Lankan government in 2017, which allowed it to seize the port of Hambantota, even though the amount of money owed by Sri Lanka is much lower than the amount owed by Venezuela. It was reported that Sri Lanka owed Exim bank of the People's Republic of China a state owned Chinese bank eight billion dollars in loans (Limaye, 2017), while Venezuela has borrowed more than fifty billion dollars from China between 2007 and 2019 and owed twenty billion of them still (Page, 2019). A discrepancy in approach is made clear here. On the one side, there is debt forgiveness and refinancing illustrated by the case of Venezuela, and on the other side, there is an asset seizure of Sri Lanka caused by the country's inability to pay back its loans. When considering the vast gap between the sums of money the two countries borrowed from the Chinese government, a necessity for further analysis of the phenomenon arises. Thus, *what explains why the Chinese government chose for debt restructuring in the case of Venezuela and asset seizure in the case of Sri Lanka, even though both countries find themselves in similar situations of debt distress and long-term inability to service their debt?* Will be the research question of this thesis. The author will attempt to answer this question while at the same time unveiling the theoretical framework that better elucidates the relation between China and its debtors in case of debt distress.

1.1 The Case of Variegated Approach Toward Debtors

It is important to understand China's differential behaviour toward its debtors for several reasons. In 2018, the Chinese government issued loans to emerging countries as part of its foreign policy amounting to 1.8 trillion US Dollars, approximately 2 per cent of the world's total gross domestic product (GDP) (Horn, Reinhart & Trebesch, 2019). Compared to 1998, when the Chinese government loans presented 0.04 per cent of global GDP, Chinese loans have increased by factor fifty. What is remarkable moreover is the fact that the Chinese credit provision is handed out mostly to middle and low-income countries (ibid). In parallel, China has also been lending one trillion dollars out of the eight trillion dollars estimated for completing China's Belt and Road Initiative launched in 2013 (Ito, 2018). Scholars, policymakers, and politicians alike have questioned this practice, accusing China of offering unsustainable credits in order to extract political and economic concessions from its debtors (Hurley, Morris, & Portelance, 2019). The term "debt-trap diplomacy" was coined to describe the practice popularized by the country under the current president Xi Jinping.

During a December 2018 visit to several African nations, former United States Secretary of State Rex Tillerson drew a sharp contrast between the United States of America and China's loaning and aid practices in Africa. He stated, "The United States pursues, develops sustainable growth that bolsters institutions, strengthens the rule of law, and builds the capacity of African countries to stand on their own two feet and this stands in stark contrast to China's approach, which encourages dependency using opaque contracts, predatory loan practices, and corrupt deals that mire nations in debt and undercut their sovereignty" (Parker et al., 2018; p.6).

On opposing sides of this discussion, there is, on the one hand, the agreement reached between China and Sri Lanka in 2017. The conditions of this agreement involve Sri Lanka signing a deal that will see China Port Holdings, a state-owned company, lease the Hambantota Port for ninety-nine years due to the inability of Sri Lanka to pay China's debt concerning the building of the port. On the other hand, several reports estimated that China offered its debtors a total amount of fifty billion dollars in debt restructuring, debt forgiveness, debt write-offs, and debt deferment over the last decade (Kratz et al., 2019). A relevant instance of this represents the debt restructuring offered to Venezuela starting from 2016. Venezuela is the largest single beneficiary of Chinese financing, with an estimated subsidy of sixty billion dollars in loans

received since 2006 alone. For this reason, China's debt renegotiations worth billions of dollars in loans after the collapse of the global oil price in the country are the ideal illustration of how its tactics diverge in rapport to politics (Ferchen, 2018; Hornby & Schipani, 2016).

The second phase of the Road and Belt Initiative will see China investing 350 billion in developing countries over the following five years (McKenzie, 2017). Many of these funds will be directed towards regions that are already in debt distress towards China (Hurley et al., 2019). The consequence of this will be an increase in the risk of countries defaulting on their debts towards China. In their work, Hurley et al. (2019) predicted a future upsurge in debt defaulting among countries that already owe considerable sums of money to China. In turn, this shall thus increase the probability of China applying one of the two strategies as mentioned above towards its debtors: either restructuring and forgiving the debts, or seizing crucial assets from the borrower country in order to settle the financial dispute.

1.2 Societal Relevance

It is significant to note at this point that two main factors explain the relevance of the present paper. First, it is appropriate to understand how the Chinese government chooses to deal with its debtors from case to case by considering the available research on the topic and expanding upon it. Second, the topic chosen for the present paper is particularly pertinent concerning current events, as the second phase of the Belt and Road Initiative is unfolding and will result in an increase in Chinese loans to emerging countries. The author aims to shed light on the behaviour of China toward its debtors to primarily pave the way for an informed discussion on the topic in formal circles. Such knowledge is relevant for assisting politicians and policymakers in potential debtor states in understanding the reasoning behind China's decisions concerning debts and direct them towards making better-documented decisions before approving financial partnership of any nature with China.

1.3 Scientific Relevance

This thesis will present the existing literature on the topic by analyzing its strong points and shortcomings alike, particularly concerning the individual cases of Sri Lanka and Venezuela that are the object of the current study. The current literature on China's credits to emerging countries deals with whether or not China is setting a debt trap to emerging countries, as well as the consequences of this phenomenon on

the global economy and the affected countries. This situation includes the superpowers operating in the same areas where China is active, namely Latin America, Africa, and Asia. Political scientists and economists have thoroughly examined China's foreign debt policy amid accusations of debt-trap diplomacy and neocolonialism directed toward countries with strategic and geopolitical importance. There are two main directions in the literature on this topic, with the first one claiming that China is engaging in simple economic transactions (Were, 2018; Hussain et al., 2016), while the second one accuses China of targeting certain countries to persuade into debt for its own political and economic gains (Var, & Po, 2017; Behuria, 2018).

Brautigam (2019), one of the most prominent researchers in the field of Chinese policies, considers in her work that mainstream media is overreacting over China's loan practices and the allegedly hostile takeover to the Hambantota Port. Her main claim to support this argument is that an Indian think tank fabricated the debt trap narrative in order to reduce to the infrastructural expansion of China in Asia via the Road and Belt initiative. However, he failed to provide an alternative explanation of China's behaviour. In the case of Sri Lanka, Parker et al. (2018) referred to China's interest in the extended area of the Indian Ocean, which can influence its decision to hand out loans to countries in this area. However, the very same paper failed to set up a context on how China will react in the case on a potential default. Patrick (2017) found that China is aware of the country's geostrategic position in the Indian Ocean and the Hambantota port project investments were pursued without any prior feasibility studies or analysis of the repayment options and the port's economic viability. Sri Lanka's strategic position in the Indian Ocean renders it vulnerable to coercive actions if it chooses to put itself in a non-alignment position concerning the power players that activate in the area, namely India, the United States of America, and China respectively (ibid). This interpretation of the problem is not sufficient to motivate China's actions, as in many other instances, China did varied facing a debtor in distress. It is thus necessary for further analysis on this topic in order to better understand whether or not a pattern is at hand. Ferchen and Perera (2019) considered that critics of China infrastructure loans overlooked the degree of agency is these deals on the part of China's partners, claiming that corruption and the politicization of such projects, especially in the Hambantota port, contributed to the failure of the venture.

Nonetheless, China's investments in emerging countries are not always perceived as debt-trap diplomacy. A report conducted by the Rhodium Group concluded that China renegotiated debts with 24 of the countries that borrowed funds from it during the period between 2007 and 2019, which made for a total amount of 50 billion dollars (Kratz et al., 2019). The same report determined that asset seizure is a

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rare occurrence when it comes to China's foreign policy actions towards its debtors. The inference of the article was that China's leverage in debt renegotiation is limited, and the outcome is usually favourable to the borrowers, especially if they had access to alternative financing resources (ibid).

Moving into the other side of the conversation represented by Chinese loans to Venezuela, Erikson (2005) considered that the idea of a China-Cuba-Venezuela axis is premature. However, he acknowledged the existence of the Cuba-Venezuela axis in Latin America and that the Chinese loans to both countries are seeking to strengthen bilateral ties to advance complementary political and economic interests. Dollar (2018) defines China's financing towards developing countries as a challenge to the world order since its practices are indifferent to the risk and collaborated with stability and the rule of law. Venezuela is a prime example of the flaws in this approach, where poor governance and corruption created debt sustainability problems. According to Ferchen (2018), Venezuela has transformed from a Chinese ally in the Latin American and Caribbean spheres into an unmistakable liability. Ferchen places this case in distinct contrast to other cases of debt-trap diplomacy, as China's loans towards Venezuela did not strengthen its position in the region mentioned above, but instead weakened it through their facilitation of the Latin country's complacency into a state of decline. Venezuela has found itself into a deep economic, political, and humanitarian crisis that started in 2013 with the death of Hugo Chavez and accentuated one year later when oil prices fell drastically in 2014. 82 68

Many Scholars' papers have been written about China's debts, and although, the available work on the topic are well researched and informative, however, they lack any indications as to why China's behaviour in case of debt resolution differs from debtor country to debtor country. None of the papers consulted offers an in-depth informed theoretical explanation or understanding of China's variegating behaviour toward its debtors. These papers only offer a descriptive representation of the events and the possible economic implications of the increase of debts in certain countries. Also, the previous work On China's debt seems to perform a ticking box exercise of sorts without revealing a theoretical understating of the phenomena in line with the current political shifts and alliances at play in international relations (IR). This thesis aims at filling this academic gap on the topic by explicitly explaining instead of only describing China's varying behaviour. Hence, the scientific relevance of this thesis lays mainly in its research question, which has not been yet explained adequately by previous scholars.

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Considering the points presented above and principally the shortcomings of the available literature in this area of study, this thesis will try to explain China's behaviour towards its debtors by focusing on two

relevant theories. Firstly, the grand realism theory offers a potential explanation for the implicit geostrategic focus of the research on this topic. However, through the prism of realist theory, it is arguable that China's action stems from a desire to challenge the hegemonies of both the United States of America and Russia as major power players on an international level (Mijares, 2017).

Secondly, the theory of social constructivism comes as a counteraction to realism (Hopf, 1998) and is centred on the notion that "international politics is shaped by persuasive ideas, collective values, culture and social identities," (Snyder, 2004).

The following section will attempt to present and contrast the two theories in order to highlight their successes and failures in terms of defining and understanding Chinese debt-trap diplomacy. On the one hand, realism falls in line with the theory that China's loans to emerging countries are part of a complex expansionist strategy. On the other hand, social constructivism would argue that China is basing its aid in foreign developing nations on shared ideals and principles, choosing to act leniently towards nations, which align with it politically in an international context.

1.4 Structure of the Thesis

The thesis is structured as follows. Chapter 2 discusses the theoretical and ontological respects that will be used as the basis of the analysis and the hypothesis creation. Chapter 2 first layout a structural realism approach to the research question, and then structural realism is juxtaposed against a social constructivism approach informed by Wendt's understanding of states relation based cultural identities. Chapter 3 discusses the epistemological considerations and reason as to why a case study, based on the explanatory process tracing is the best method to conduct this research. Moreover, the chapter discusses sources collection and the operationalization of the key concepts that will guide the analysis in the succeeding chapter. Chapter 4 aims at explaining china's behaviour from a realism and social constructivism perspectives perceptively while focusing on the variegated attitude of China. Chapter 5 lays out the conclusion and the main findings of this thesis, then address its limitations, and finally suggests avenues for future research.

Chapter 2: Theoretical Considerations

This chapter seeks to explain and contrast the two leading theories employed throughout this thesis. First, a discussion regarding the history and the ontological consideration of realism are outlined. Then the different stands of realism namely offensive and defensive realism are outlined and elaborated informed by realism conceptual terminologies, namely, the balance of power, polarity in the system, and the different kinds of states in the anarchic system, in order to finally deduce the causal mechanisms and the hypothesis that will guide the succeeding chapters. The second part of this chapter discusses the history and the ontological consideration of social constructivism, and how it differentiates from realism ontologically. Then the importance of norms and ideas in social constructivism is briefly discussed, followed by a Wendt's states relationship topology informed by the three cultures of anarchy, Hobbesian, Lockean, and Kantian. Finally, the social constructivism different causal mechanisms and deduced hypothesis are outlined based on the understanding of Wendt's understanding of culture under anarchy.

2.1 Realism for Explaining China's Behaviour

In this section, the main ontological assumptions of realism will be discussed, then a description of the different strands of realism will be outlined, and an argument will be made as to why a structural realism is suitable for this thesis. Furthermore, the two strands of structural realism, offensive and defensive will be discussed in addition to their conceptualization are discussed in order to deduce the causal mechanisms and the hypotheses.

2.1.1 History and Ontological Considerations of Realism

Realism has a lengthy history and tradition in history and can be traced back to Thucydides, Hobbes, and Machiavelli (Korab-Korpowicz, 2010). However, it was until after the world war one that realism was fully integrated into IR as part of the first great debate between realist and idealists (Kurki & Wight, 2013). Classical realism was the first fully comprehensive strand of realism in IR who rejected the utopian idealists'

outlook on IR and considered that international politics could not be a manifestation of the good nature of humans.

Morgenthau (1978) a well-known realist established six principles of classical realism: politics is governed by objective laws with roots in human nature; national interests are defined in terms of national power; interest is always dynamic; abstract moral principles cannot be applied to politics; the difference between moral aspirations of a nation and the universal moral principles; and autonomy of international politics (Morgenthau, 1978). Morgenthau, unlike idealist, believed that politics is inherently prone to conflicts because politics because it is inherently related to human nature. Humans as survivalists will always seek security and more power over one another, and politics rooted in human nature is an extension of this tension. Morgenthau believed that self-interest is the main drive in politics, and defined self-interest in terms of power that is universally valid, where moral principles cannot be applied (ibid.). However, he acknowledged that the interpretations of power are contingent on cultural and political contexts. Furthermore, Morgenthau was aware of the tension between morality and political success and preached prudence in the pursuit of survival. However, he refused to couple the moral aspirations of one nation with universal moral laws. Finally, he assumed the distinctiveness and autonomy of the political sphere claiming that there is a substantial and profound difference between realism and other approaches to theory.

2.1.2 Main Assumptions of Realism

Individualism and rationality are the starting points of theorizing in realism, meaning that the unit of analysis should always be considered as individual rational actors who are seeking to maximize their utility (Fierke, 2013). The main four assumptions of realism stem from these individualism and rationality concepts (Viotti & Kaupi, 2012). First, realism believes that the state is the most important actors in IR in an anarchic system with no overarching authority that can regulate the rule of the game. Here it is not meant by anarchic that the system is in complete chaos, however the lack of any apparent higher authority who can demark what can be done and what cannot be done make the system anarchic. Mearsheimer (2001; p.17) call it the "911" problem. Because there is no central authority over states, in case of a problem states cannot call 911 to solve the problem, and reduce the level of trust between states, rendering the chance of a war between them more plausible. Hence, the state's survival depends on their ability to sustain their security.

Non-state actors and international organization, according to realists, are not seen as independent actors, none the less not wholly irrelevant, as their power is a reflection of the distribution of power within the system. Collateral to this anarchy is the centrality of the states as a unit of analysis in realism, which bring the second assumption of realism, the unitary actor assumption; states are the unitary actors in IR, meaning that regardless of the internal politics within the state itself, it will always follow a coherent self-interested strategy. This is often referred to as the black box assumption, where states are seen as rational, self-interested, integral actors and the internal decision-making processes are deemed irrelevant (Kapstein, 1995). This is in sharp contrast to the constructivist approach that tries to dismantle the black box and look at the inside for factors that can influence decision making such as, internal politics, political system, norms and values. The third assumption of realism is about states behaviour. States are considered as rational actors, and they will engage in international politics to maximize their utility and to achieve their rational goals based on a cost-benefit analysis; thus, the states are optimizers by nature. This optimization might not always be accurate as states often end up in sub-optimal solutions; however, this does not falsify the assumption of rational optimizing states. The fourth assumption of realism stems from the anarchical state of the system, due to which states operate in a self-help manner with security being their ultimate goal. States survival demand that they provide for their security, which can create according to realist like Mearsheimer, a dilemma for the states, since in the anarchic system is the only way to create security and ensure their survival is by acquiring more power (Viotti & Kaupi, 2012; p.64). This dilemma will be dissected in greater length below while discussing the different offensive and defensive realism. Power for realists is material and can be identified, for example, in terms of economic growth, military power, and resources abundance. How much material power the state acquire is not crucial to realists per se, however, what is important is how much power one state have relative to the other states, which determine how secure a state is.

2.1.3 Structural Realism

Structural realism or neorealism, which will be used interchangeably in this thesis, came out to live in the late 1970s and led to the initiation of the second great debate in IR between neoliberalism and neorealism or that become known as the neo-neo debate in IR. Neorealism prominent scholar Kenneth Waltz in his work theory of international politics (1979) was critical of the classical realism reductionist approach to social science. Waltz (1979) argued that social reality was too complex to be reduced to a set of law-like statements.

Structural realism retained the main ontological foundations of its predecessor, but it diverted on to why states want more power, is it because of the human nature or because of the structural constraints in the system. Structural realism main ideas can be summed according to Mearsheimer (2001, pp. 30-31) as follows: big powers are the central actors in the anarchic system; All states have some, offensive military capabilities that can be used to harm other states; States can never be sure about the true intentions of other states; states are rational actors; and the ultimate goal of any states is to survive. The emphasis is very much on the structural constraints that the units in the system face obliging them to increase their relative power to survive in the anarchic system. These ideas impose on the states a specific hierarchy of goals, for which they have to accommodate strategies in order to make sure their chances of maximizing their goals are attained. These strategies are mainly offensive and defensive realism. Before defining these strategies and their causal mechanism that will be mainly used to deduce the hypothesis, first specific terminologies that will serve the discussion still needs to be defined. Namely, revisionist and status quo states, the balance of power, and polarity in the system.

2.1.3.1 Revisionist and Status Quo States

States in the anarchic system can be grouped into categories, one category known as the status quo states, these states are comfortable and content with their position in the system and seek preservation and protection of the benefits they already have in the system. These states are usually satisfied with the superpower rules and are usually the ones that created the existing order and “the principal beneficiaries of the status quo” (Schweller, 1994; p.101). Another type of states known as the “revisionist states” and seek to alter the current balance in the system to their favour and themselves aspire for hegemony. These states are not interested in preserving what they have in the system, and they want to increase not just reverse their position in the system (Schweller, 1994; p.87). The goal of increasing power for revisionist states cannot be achieved by ensuring that other states are not gaining relative power over them alone, but themselves need to increase their relative power. These states are the ones usually to engage in balancing acts first against the status quo, especially in the presence of a threat.

2.1.3.2 Polarity in the International System and the Balance of Power

The international system even though anarchic, is characterized by polarity. Polarity refers to the distribution of power among states in the system, and three kinds of polarity can exist in the system: a multipolar system where power is fragmented among multiple great power, bipolar where two great

power all the power, and unipolar, where a single state or the hegemon, holds most of the power in the system. Classical realist like Morgenthau (1948) believe that the multipolar system offers more stability to the system, opposite to neorealist such as Waltz (1979) who believes that a bipolar system is the most stable. Since in a bipolar system, states act in a predictable manner, which is not the case in unipolar and bipolar systems because the relative powers, the strength, and the intentions of each power are known to the other state. According to Waltz, an increase in the number of the superpower in the system create great uncertainties about the intentions of other states, which will increase the balancing acts and rendering the international system more prone to conflict. "Uncertainties about who threatens whom, about who will oppose whom, and about who will gain or lose from the actions of other states accelerate as the number of states increases" (Waltz, 1979 p.165). Moreover, according to neorealist, a unipolar system will also create instabilities. The hegemony of one state will create an interest for the other states mainly by balancing to prevent the hegemon from gaining enough power to dominate all the other states, in order to maintain their survival and security.

A shift in the Balance of power to unipolar according to the structural realist framework will create an interest for other states in the system to prevent the hegemon from gaining enough power to dominate all the other states, (Kegley & Wittkopf, 2004, p.503). Waltz (1979) argues that the hegemony of one state will not last long as the secondary power will foresee the hegemony as a threat to their survival and will behave in a certain way so that the Balance of power will eventually be restored due to the competitive nature of the international system (Waltz, 1979; p.126)

Polarity in the system directly relates to the Balance in the system and the tactics used to reshape this Balance. According to Morgenthau (1948), the Balance of power mechanisms that prevent one state from gaining enough power to destroy the others is essential to sustain the stability in the system without destroying the units that constitute. In order to achieve a balance of power in the system, states need to balance. The different balancing states depends on the currently Balance of power in the system. The presence of a hegemon in the system in addition to nations trying to survive will enable the Balance of power in the system to prevail and lock states in a survival-balancing act to avoid being dominated by the strong power (Waltz, 1979). This result in two outcomes direct confrontation between states in the case of a bipolar system and competition between states in the case of a unipolar system.

2.1.3.3 Defensive Realism

Structural realists, although they agree on the assumptions of structural constraints in the anarchic system, one fundamental disagreement divide them between defensive realists and offensive realists. The succeeding sections will identify the main differences between offensive and defensive realism, then deduce hypothesizes based on the two different logics.

² Defensive realists, such as Waltz (1979) argues that the anarchic system does not encourage a struggle for hegemony because this struggle will create mayhem and instability, which can negatively influence the security of the states, involved. Also, expansion is more harmful to states than defensive strategies since offence and expansion will eventually exhaust states and will leave ² them weak defensively. Moreover, offensive strategies come with a high cost in order to keep control over one's territory. Thus, according to defensive realists, power-grabbing is restrained by states trying to maximize their security. ⁴⁵ Waltz (1979; p.126) argues, "The first concern of states is not to maximize power but to maintain their position in the system".

He considers that any attempt to maximize power will upset the hegemon, who will seek counteractions, through military build-up and formation of a balancing coalition, making the aspiring hegemon less secure. Waltz (1979; p.121) set out only two requirements for balancing to take place ⁵⁷ according to offensive realists. First, the system is populated by states who are wishing to survive and second is the international system is anarchic. Balancing can be done in two ways according to Waltz, first, by internal balancing, where states use internal efforts, such as increasing their economic capabilities and military strength to remain safe and second through external balancing, where states use diplomatic means to create allies and increase their security (Waltz, 1979; p. 118).

Waltz, however, differentiated between small states and big states and their ability to balance ⁸⁴ based on the distribution of resources and power among states. Waltz (1986; p. 25) considers that the ¹¹³ weaker the state is, the more likely it is to bandwagon with stronger states to maintain its benefits and security, as balancing against states with vast offensive capabilities may seem unwise. In other words, states act according to their strategic situation and ⁵⁰ choose strategies that are consistent with their position in the system, that provide them more benefits than costs. The concept of bandwagoning can be then be understood as states, mostly small, aligning with a powerful state (s) that will help them attain and achieve a greater sense of security. The key role of small states who lacks the resources to influence the system is likely to bandwagon rather than balancing with powerful states, driven by their desire to increase their gains (Waltz, 1979; p. 73).

Causal Mechanism and hypothesis deduction: According to defensive realism as proposed by Waltz, in a unipolar system, which is characterized by uncertainties about the intentions of other states, especially the revisionist ones with enough abilities to balance, who seek ¹³² to alter the balance in their favour and become hegemon themselves. Balancing acts will increase and will be directed mainly toward other powerful states in the system. These balancing acts in their two components will be manifested in the military and economic build-up at home and abroad by creating a strong enough global alliance to deter the hegemon and other strong powers in the system, i.e. the status quo powers from expanding their power. The external components of balancing can be manifested in strong strategic diplomatic ties with states, but also it can be manifested by offering assistance to smaller states, revisionist or not by the aspiring hegemon to lure them into their sphere in ¹⁶ order to increase its global power and reach. On the other hand, these small states wanting themselves to increase their security, and with no capabilities of their own to balance against the strong power, will look to bandwagon with a stronger state to first, feel more secure and to second, share a small part of the gains acquired by the stronger state home and abroad. This external balancing act by the aspiring hegemon and bandwagoning by the smaller states can be manifested by the strong state offering the small states economic, development, military, and logistic assistance as long as these small states are in its sphere and are reliable allies. This structurally constrained relationship which both parties are benefiting from loses its "raison d'être" once one of the involved parties breach the equilibrium point, by, for example, the smaller state deciding that its security is better maintained by bandwagoning with another strong state in the system. Then, other considerations or behaviour are expected from the involved states, especially by the powerful state because of its ability to punish and create more damage than the small state. However, the equilibrium of the relationship is respected; both involved parties benefit from sustaining the amicable relationship for the reasons described above. Hence, based on the preceding causal mechanism, the first two hypotheses will be deduced:

H1: *The creditor state adopts a more lenient attitude toward the debtor state, because the debtor state either continues to bandwagon or has started to bandwagon with the creditor state.*

H2: *The creditor state adopts a more hostile attitude toward the debtor state, because the debtor state has started to bandwagon with another dominant state in the system.*

2.1.3.4 Offensive Realism

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Offensive realists, such as Mearsheimer (2001), argue that the assumption of defensive realism does not guarantee that the state applying them will be shielded from aggression and threats. States have no choice but to inspire for hegemony themselves as the only way for security, hence to maximize their power in relative and in absolute terms the best way is to increase the state security through power and strength. Offensive realists reject the defensive balancing suggested by defensive realists and argue that it pays off to be offensive and the notion that the system punishes states who seek power. He argues that not all states are status quo powers trying to maintain and preserve their current position in the system by being on the defence but rather that states are power maximizers' revisionists with aggressive intentions (ibid. p.53). By that, he remedies the status quo bias proposed by offensive realism, illustrated by the need for internal and external balancing only.

Mearsheimer (2001) argues that superpower will always seek to achieve more power by subverting the power of their rivals. He rejects the idea of balancing as proposed by waltz and consider it ineffective, and believes that a state best strategy is to increase its relative power to the point of achieving hegemony. The increase in relative power can be done by relying on an offensive tactic, as, it is rational for states to act aggressively and pursue expansionist policies, which bring them closer to hegemony (ibid. pp. 22-23). However, since, global hegemony is nearly impossible to attain due to the constraints of power projection, the best end game status states can hope to reach is that of a regional hegemon dominating its own geographical area (ibid. pp. 22-23).

The theoretical distinction between offensive and defensive realism is important for this thesis, as both strands will be tested separately. However, it is important here to expand the offensive realism strand to a more conceptual representation related to the notion of regional hegemony proposed by Mearsheimer and the research question that is trying to understand China's behaviour and whether this behaviour is related to the security and geographical constraints it faces.

Alfred Thayer Mahan, in his book, the influence of Sea Power upon History, discussed a theory called sea power. Mahan believed that national greatness was inextricably associated with the sea (Roberts, 2016). Hence, it is indispensable for countries to have a strong presence in the sea for commerce during the time of peace and for control during the time of war, in line with the offensive realist strand. Mahan backed up his claim with examples from History, where no great power was able to become a hegemon without having ultimate power in the sea. Hence, naval presence and dominance in the sea, especially in the Indian Ocean is an important offensive strategy for powers who are trying to become regional

hegemonies in that region. Mahan argued that a strong maritime strategy is capable of preventing war, protect the homeland, and isolate overseas outside interference (Roberts, 2016).

Causal mechanisms and hypothesis deduction: Offensive realists such as Mearsheimer, agree with Waltz on the vulnerability of the unipolar system as it creates too much unknowns in terms of the intentions of other states and the need to balance against other nations in the system. However, the two stands disagree on the necessary balancing acts to remedy the state's insecurities. Mearsheimer advocate that an offensive strategy to increase security instead of a defensive one and considers that only a misguided state would pass up an opportunity to be gain more power because it thinks it had sufficient power already to survive (Mearsheimer, 2001; p.35). Mearsheimer considers that all states are power-maximizing revisionist that seeks to alter the balance of power by adopting offensive strategies by aggression and self-promotion against the hegemon and the status quo power instead of internal and external balancing strategies. Aggressive behaviour as understood by Mearsheimer includes and expansionist policies which include the revisionist state in its quest for more power to expand beyond its borders and according to the sea power theory geography plays an indispensable role in state's quest for more power. Geographic considerations especially in terms of border sharing and "the stopping power of water" (Mearsheimer, 2001; p.22) or the importance of water concerning the hegemony game, can play an important role in states strategy preferences. An aspiring hegemon will lose to acquire an important advantage if it passes an opportunity to gain more power by seizing or conquering an important asset close to its borders or its water vicinity can that give it more power in it offensive strategy for regional hegemony. Hence, power maximizing aspiring hegemon should act aggressively when an opportunity is available to conquer assets or lands important and relevant to its effort to attain regional hegemony. On the other hand, if the asset of land is not important to its quest to achieve regional hegemony, the revisionist state is better off focusing on regional balancing and supporting "offshore balancer" (ibid. p.22) who can also be balancing or trying to oppose a common enemy or a distant hegemon. Hence, based on the preceding causal mechanism, the third and the fourth hypothesis will be deduced:

H3: *The creditor state adopts a more hostile attitude toward the debtor state because the debtor state is of strategic security importance to the creditor state.*

H4: *The creditor state adopts a more lenient attitude toward the debtor state because the debtor state is not of strategic importance to the creditor state.*

2.2 Social Constructivism for Explaining China's Behaviour

This section compares and contrasts the main ontological differences between social constructivism and realism. Then it discusses how values, identities, and norms are connected to the relationship countries share. Furthermore, Wendt's three cultures of anarchy are outlined, including the opportunities of change between and within the cultures to deduce the causal mechanisms and the hypothesis.

2.2.1 Ontological Contrasts Between Social Constructivism and Realism

The social constructivist insertion in international relation started mainly in the form of a critique of the mainstream theories in IR, mainly the neo utilitarian theories (Freike, 2013; p.188). Their main critique was that neo utilitarian theories such as neorealism were not only, not able to explain the behaviour of states in IR but they also helped to enforce the status quo in IR (Cox, 1981). Social constructivism brought back ideational factors to IR by bringing back the humane side of the field, which was very much neglected by the realist theories. "Social constructivism is about human consciousness and its role in international life" (Ruggie, 1998; p.856). Social constructivism challenged basic realist assumptions. Its core ontology is social and seeks to demonstrate unlike realists that many aspects of IR are socially constructed, where human associations rather than material forces are more important in determining states behaviour and states cannot be separated from their social context in which they exist. This is because human nature is not prone to conflicts as argued by realists but rather remains dependent on the socially constructed identities and interests of the involved actors. It moved away from utilitarian underlying material forces and made room for identities of actors to take centre stage in theorizing IR. Social constructivism argues that ideas are as important as material realities of utilitarian realities and should be can examine in the same way (ibid.). It accused utilitarian theories of not going deep enough to uncover the reason for being. Utilitarian theories, including realism with their roots originating in economics, they fail to explain the origin of the market for example as they assume the preferences of the subject without understanding the origins of these preferences, how they are formed, and make their existence for granted (Ruggie, 1989, pp.863-871). Utilitarian theories explain, for example, how one should behave in the market but not what is the market and how it came to existence.

Social constructivism, as their name implies, believe that the world is socially constructed and social facts exist by human agreement (ibid p.856). For example, the relationship between states exists by social

agreement between the agents and since most subjects in IR are social facts rather than natural facts. Social constructivism study change in context, instead of looking for similarities to make a generable assumption on reality; hence norms and ideas become an important aspect. These ideas and norms create a social context between the states. It also considers that IR is heavily influenced by the actors themselves rather than the structure (Freike, 2013; p. 191).

For social constructivists notions such as the anarchy as suggested by realists is not imposed on states, but the states themselves instead determine it. Wendt argued, “Self-help and power politics do not follow either logically or causally from anarchy...structure has no existence or causal powers apart from the process. Self-help and power politics are institutions, not essential features of anarchy. Anarchy is what states make of it” (Wendt, 1992, pp.394-395). Moreover, under constructivism, identity factors such as the individual national identities, shared expectations, and norms are not exogenous but are constructed through interaction with other states in historical, cultural, political and social contexts, and these contexts are essential to understand the behaviour of the states (ibid.).

Social constructivism theory disagrees on the definition of rationality with realist theory and other rational theories in general. The former considers that rational actions are determined to be legitimate based on values, norms and not on the greatest interest of the agents, this is known as the logic of appropriateness (Frieke, 2013; p.190). The latter instead follows the logic of consequences and considers rational acts are the ones where the state utilities of interests are maximized (ibid.).

Social constructivists believe in the agent rather than the structure, the agency, in this case, the states can influence the system in which they are embedded. However, they acknowledge the influence of the structure as well in the system. They argue that social interaction is mutually constituted and states are constrained by the actions of states in the system, but through interactions between states, change is possible. Fierke (2013; p.191) argued that constituency is the restraining effect when the interaction takes place. Realists do not share this view and believe that the options available to states are not constrained by the actions of others, because each state follows a self-help course with no inter-state interaction.

2.2.2 Ideas, Interests, and Norms in International Relations

Wendt believes identities reflect the understanding of the state of who they are and bases on these identities shape their interests and actions “identities are socially constructed through interactions with

other states in historical, cultural. Political and social contexts" (Wendt, 1995; p.72), he also argues, "Identities are the basis of interests" (Wendt, 1992; p.398). The identity of a revisionist, for example, is different from the one of superpower or a status quo state. Hence their interests and their set of actions to achieve them differs from state to state. The same applies to small state and large states, for example, which also signals different interests based on the identities. The interests and actions of a state should be in line with its identity. The same applies to inner states relations, a change in the identity the two-state share will change the interests and actions towards each other.

Another important concept of social constructivism is norms. Norms are defined as "a standard of appropriate behaviour for actors with a given identity" (Finnemore & Sikkink, 1998, p.891). States complying with identity are expected to also comply with the norms associated with this identity. Norms are related to the logic of appropriateness, and states behave in specific ways because they believe that this is the appropriate behaviour. Following the same logic, norms that are deemed appropriate between two states are also influenced by the identities and interests they share and a change in the shared identity will mean a change in the shared norms. Norms regulate the behaviour between states and are constitutive of states identities and interests.

2.2.3 Alexander Wendt: Theory of International Politics

Wendt (1999), one of the most prominent social constructivism theorist of international relations, agreed with structural realist on the concept of anarchy in the system. However, he tried to demonstrate that anarchy is compatible with different logics, meaning that unlike what structural realists believe – states are not always bounded to follow a self-help trajectory, as multiple logics exist in the anarchic system. The succeeding sections will proceed by explaining Wendt reasoning and identifying the different logics within the anarchy, then deduce the hypothesis based on those logics.

Wendt argues that the anarchy is the significance the states attached to it, the states can follow different trajectory under the same anarchy and these trajectories or logics are based on shared ideas and norms rather than material forces (ibid. p.249). Thus, The anarchic system is not imposed on the states where they have no influence over it as structural realist believe, but the states are the one who shapes and makes up the system, hence, rendering the international system meaningless without the actors that make it. According to Wendt (1999), three types of roles exist in the international system, and each of these roles corresponds to a different culture. Enemies where the Hobbesian culture is dominant, rival

where the Lockean culture is dominant, and friends where the Kantian culture is dominant (Wendt, 1999; pp.247-250).

2.2.3.1 The Hobbesian Culture

The Hobbesian culture is the closest of Wendt's three cultures to the realism logic where war and destruction still take place. The Hobbesian culture is relevant when two nations consider each other as enemies (Wendt, 1999; p.247), where the use of violence is not restrained against each other, as the right of existence is not mutual norms between the two enemies. This kind of relationship is characterized by mistrust and consent happens through coercion, where enmity is necessary to ensure the existence of the actors in the system. Therefore, the use of unlimited violence against each other is not limited and is thus, legitimized. In the Hobbesian culture, the right of autonomy is not agreed nor respected, and each state will assume that other one will try to destroy it and each one will combat the existential threats that the other inflict or threaten to pose. The Hobbesian culture brings back the idea of mutual constitution, the enmity of one state toward the other will leave the other state with no other option than to reciprocate the enmity.

⁵⁴ It is important to note here, that a change from a Kantian to a Hobbesian culture will not be tested because such a sudden shift is rare in international politics. Wendt (1999; p.309) writes that: ⁶⁶ "Once we have arrived in the Kantian role relationship of a friend, international politics is unlikely to regress. Hence, such change in the relationship is not realistic for hypothesis testing following Wendt's cultural topology.

2.2.3.2 The Lockean culture

Unlike neorealist who believe in the predominance of the Hobbesian culture in system Wendt proposed a structural change identified by the Lockean culture where the logic of kill or get killed is replaced with the notion of live or let live, or rivalry instead of total enmity. Where war can still happen; however, the use of force is limited. The Lockean culture is relevant when two nations consider each other as rivals. In this kind of a relationship, the use of violence is limited to advance one's interest and not to destroy the other. The right to exist is accepted by the other states and sovereignty is respected ⁴¹ not only as "a property of individual states but an institution shared by many states" (Wendt, 1999; p.247). In this culture, coercion still takes place namely, by stronger states Vis a Vis weaker state. However, the states are interested in respecting others sovereignty, so other states reciprocate this behaviour make it possible ¹⁵⁹ for the internalization of the norm of sovereignty by the states in the system based on self-interest.

Nevertheless, the internalization of this norm happen not because it is considered legitimate and necessary but rather according to the states self-interests. Wendt (1999, p.260) describe the difference between Hobbesian and Lockean cultures as following; in the Hobbesian culture, the states are trying to kill each other's, Whereas, they are trying to beat and steal from each other's, implying self-restraint in the Lockean culture. Kill or be killed becomes live and let live (ibid. p.279).

2.2.3.3 The Kantian Culture

The Kantian culture follows two main rules: First, The rule of non-violence, where disputes are solved without any use of force nor even the threat of the use of war (Wendt, 1999; pp.298-299). Second, mutual aid and taking collective actions against an aggressor who threaten the security of any of the two states. The Kantian culture is relevant when two nations considered each other as friends. Disputes are settled without recourse to violence, and collective actions are possible. In this kind of relationship, coerced actions are not encouraged but rather cooperation in the face of a common threat. Friends do not use violence toward each other's and will collaborate in the face of common threats (ibid. p.258). Hence, the internalization of norms is legitimate and necessary; a bond of friendship is then created between the actors in the system based on common interests and shared ideas. The kind of culture that the states will adopt is the result of states interaction based on the norms they choose to construct, depending on ideational factors such as individual national identities, shared expectation, and shared interests in opposition to material factors as proposed by realism.

Table 1: Main Assumptions of Wendt's three culture of Anarchy.

Type of culture	Type of relation	Use of violence	Main conceptualization
Hobbesian culture	-States perceive each others are enemies. -The right of mutual existence is not accepted	-Use of violence is accepted and legitimate	-States do not exercise self-restraint nor self-control. -Shared norms and identifies are non-existent
Lockean culture	-States perceive each other's as rivals.	-Violence can still take place between states but it is limited.	-States try to find a balance between self-

	-States recognize mutual existence because they recognize each other's sovereignty.		control and social norms. -Some international norms exist but the national interest is predominant
32 Kantian culture	-States perceive each other's as friends. -States recognize mutual existence and abide to non-violence and mutual aid	-Violence is not accepted.	-Common norms and values between states exist. -The mutual interest instead of the national interest is predominant.

2.2.3.4 The Change in the Nature of the Relationship

Wendt offers a perfect example to demonstrate how reality is a social construction. Wendt (1995) argues that 500 nuclear missiles owned by the United Kingdom are less threatening to the US than five nuclear missiles owned by North Korea. These threats are not caused by the material structure being the nuclear weapon but rather by the ideational structure being the meaning given to those nuclear weapons. The example shows that the material structure does not have any meaning outside the social context they are embedded in. The social construction because it is based on ideas and morality is not static and open to change over time depending on the ideas and beliefs the two states share. If the United Kingdom (UK) and the US become rivals or enemies, the 500 nuclear missiles owned by the UK are a far more significant existential threat to the US than the five nuclear missiles owned by North Korea. A change in the identity or values of one state can result in a change in the social construction the two states share, leading to a change in the culture the two-state share from Lockean to Hobbesian, to Kantian or Lockean. Except that a swift change of two countries' relationship from Kantian to Hobbesian is rare in international nations as argued previously.

A change in the other direction is, of course, possible as well. Wendt considers that a Kantian relationship can emerge from a Lockean relationship at the point when the states internalize the constraints imposed upon them by other states by employing self-control and refrain from the use of violence. Violence becomes no longer acceptable as a mean to deal with other states in the same figuration (Wendt, 1999; p.299). A shift from a Lockean relationship to a Kantian relationship thus emerge when the states recognize each other's as equal partners and develop common values and norms. A shift from Hobbesian relationship to a Kantian relationship is also possible, according to Wendt (1999). This shift can happen once Hobbesian culture caused so much trauma that the people feel an urgent need to refrain from violence. The foundation of the European Union is a prime example of such shift, where the European countries decided to introduce and internalize common norms and values to prevent a Hobbesian war to take place ever again on the European soil.

Causal mechanism and hypothesis deduction: Two states reach a Kantian relationship when they perceive each other's as friends, based on the shared norms and values the two countries have internalized. Then, these states recognize this friendship by respecting of each other's sovereignty, abide by a non-violence where the use violence is no longer tolerated, teaming up against a mutual threat or enemy that threatens the security of any of them, and mutual aid. Teaming up against outsiders can be manifest by development aid from wealthier countries to less developed countries, for example, loans, treaties that boost the collaboration between the states, and diplomatic assistance and support an outside threat is imminent on one of the two states. A Change in the social construction, which is based on moralities that are not static, fuelled by a change in the norms or values one state have internalized will de facto means a change in the social construction agreed upon between the two states. If this change in social construction is significant enough, the cultural, the two states share will also change. In the case of change from a Kantian cultural to a Lockean culture mutual aid, and teaming up will be replaced by a rivalry, where predominance of national interest, limited use of violence, and a balance between self-control and social constraints. Hence, based on the preceding causal mechanism, the fifth and sixth hypothesis will be deduced:

H5: The creditor state adopts a more lenient attitude toward the debtor state because the culture between the two states remains a stable Kantian relationship.

H6: The creditor state adopts a more hostile attitude toward the debtor state because the culture between the two states has changed from a Kantian to a Lockean relationship.

2.2.3.5 The Degree of Internalization Within the Cultures

Wendt (1999) identified three degrees of internalization within each culture. Each of the three degrees corresponds to a different level of commitment by the states to the corresponding culture that rules the common relationship. Since the thesis is only testing for the intensification and with the Kantian culture between the debtors' state and creditor state, the three degrees on internalization within the Kantian relationship will be discussed.

In the first degree of internalization within the Kantian relationship, the states adopt this culture to rule out war and existential threats, for example, to avoid nuclear war, the second degree on Kantianism is friendship with other states as a strategy. The third and highest degree is when states identify with each other and see their security as part of the other state security (Wendt, 1999; 305).

According to Wendt once the third degree of internalization is reached within the Kantian relationship, where diffusion and homogenization between the states take place a return back to the Lockean culture or the Hobbesian culture between the states is unlikely to happen. Hence, Wendt's mechanisms do not recognize a regressive shift in cultures. The lack of this mechanism can be considered as a weak link in Wendt's theory, as he did not lay out any mechanism of a regressive relationship between two countries or how and when a backward relationship between two countries takes place. However, he laid out the most important characteristics of Kantian relationship: mutual aid and non-violence; hence, once these characteristics are violated, it can be considered that the relationship between two states share is regressing.

Causal mechanism and hypothesis deduction: within the Kantian relationship exist multiple degrees of internalization, the first being the minimal one is adopted mainly to avoid losses and destruction, the second degree of internalization occurs once the states are convinced that the best strategy is to befriend one another based on the norms and values they share. In the third degree of internalization, the two states achieve mutual inclusivity, where one state's well-being, is the other state well-being also based on the common norms and values they share. A sense of selflessness is then achieved with each increase in the degrees of internalization. Then the countries are willing to incur a national loss for the benefit of the collective. With each increase in the degree of internalization, the mutual interest becomes more important than the national income and the mutual aid between the two states will intensify further. The intensification of mutual interest will include that both countries are prosperous,

and both are shielded from an external aggressor. Mutual aid can entail an extended financial aid of sort in case one of the states is facing financial or economic difficulties or lenient attitude toward existing debts. Whereas, in the case of the regressive degree of internalization with the Kantian, the states less inclined to support one another, as doubts and uncertainties about the relationship will start to arise and a hostile attitude can ensue. Hence, based on the preceding causal mechanism, the seven hypotheses will be deduced:

H7: The creditor state adopts a more lenient attitude toward the debtor state because the Kantian culture between the two states has intensified further.

Chapter 3: Epistemology, Methods and Operationalization

This chapter consists of three main sections, epistemology, methods and operationalization. In the first section, an argument is made as to why a positivist conventional social epistemology is suitable for this thesis informed by the theoretical choices of this thesis, where both strands of the theories, Wendt's constructivism, and structural realism follow a positivist epistemology. The second section discusses and assesses the methods employed in this thesis, and the third section operationalizes the key concepts guiding the empirical analysis in the succeeding chapter.

3.1 Epistemological Considerations

Social constructivism is a middle ground theory situated in the "middle" of the fourth great debate in international relations (Adler, 1997) between positivism and post-positivism or rationalism and reflectivism. Positivism or rationalism includes neoliberal and institutional theories, and post-positivism or reflectivism includes critical and structuralist theories. As a result of this middle ground position, two strands of social constructivism came to life. One strand adhering to a positivist or a conventional epistemology and dubbed as "conventional constructivism" (Checkel, 2004; p.230), and a second strand, which considers that social constructivism and positivism are at odds and thus incompatible, since scientific realism is incompatible with a consistent constructivist perspective, and dubbed as "consistent constructivism" (Fierke, 2013; Peltonen, 2017).

Conventional constructivism the dominant school among US scholars believe in bridge-building between the schools of thought in international relation and argue that social constructivism's ontology can be combined with a positivist epistemology (Chekel, 2004). Introduce: "These scholars use positive epistemology to examine the role of norms and identify in shaping the international political outcome, and their methodological starting point is qualitative process tracing and are committed to inductive research strategy" (ibid; p.230). Consistent constructivism, on the other hand, argues that ontological commitments have implications for the epistemological debate and that ontology cannot be separated from epistemology as this will create a research internal validity inconsistency (Aalberts & Van Munster, 2008) and considers the bridge builders as fence builders, around what they consider to be normal science, in that case, positivism (ibid; p.728).

Abiding by a social constructivism methodology also means that adhering to the idea that reality is socially constructed, hence, labelling methodological directions as right or wrong is in itself odd and paradoxical (Peltonen, 2017; pp.1-2).

Nonetheless, following the nature of this thesis – examining the role of norms and identities in the agent's decision-making, and based on the theoretical framework that is reliant on structural realism and Wendt's states cultural typology of states relationship. Wendt, who is considered a conventional constructivist himself, who rejected the claim that constructivism is incompatible with positivist epistemology and tried to study social constructivism from a positivist approach (ibid; p.6). This thesis will follow a conventional methodological path, warranted by the choice of theories chosen to answer the research question and justified for pragmatic reasons concerning the other theory. In order to do so, the author will outline the fundamentals of positivists methodology relevant to the empirical analysis than will succeed and will then outline the methods used to answer the research question.

Positivist epistemology advocates an empirical value-free approach to science where knowledge is attained by observing patterns objectively and factually (Kurki & Wight, 2013). Positivism postulates a separation between the subject and the object, meaning that researchers should neutrally and objectively examine and report their observations. Positivism considers that they should be tested against empirical realities, measuring the theory reliability by its ability to explain reality (ibid.). According to positivists, theories should be tested following a series of empirical observations, resulting in the uncovering of patterns, and then these empirical observations are used to make a statement about the validity of the hypothesis derived from the theory. However, this epistemological choice is not without problems, especially if one is to take the social constructivist ontology seriously. It is important to note that attaining a value-free knowledge is almost impossible. Following the constructivism believe that reality is socially constructed, a complete demarcation between the agent, in this case, the researcher, and the subject, in this case, the research is not realistic, as the social identity of the researcher will no doubt have an influence on the research, starting from the choice of topic itself, to the theories and methodologies chosen. Moreover, dooming every other method that does not adhere to a positivist approach epistemology as pseudoscience is not only problematic but also counterproductive as it will narrow down the field of research in political science and it will diminish considerably the number of research questions the field can answer in the ever-changing modern political field. If conventional constructivists are bridge builders and champions of the mixed research methods, positivism should then be seen as a spectrum instead of one static dogma. Where, intersubjective ontology can be combined with a positivist

epistemology, but also other possibilities located on the same positivist spectrum should also be possible, depending on the type of knowledge the community want to reproduce and depending on the scientists adhering to it. Positivism cannot be considered as the only way of knowledge, as knowledge itself is a social construct. This thesis is an example of this line of argumentation. The thesis used a positive, conventional, constructivism empirical approach. However, also an explanatory narrative will be used not as a method of research by per se but rather as a way to convey the hard empirical facts in a more coherent way which will serve the conversion of the empirical findings useful information to be able to verify or falsify the hypothesis. Hence, using the explanatory narrative to achieve a positivist scientific result.

3.2 Methods

The following section will first argument as to why a most similar ⁵ case study is suitable for this thesis. Then, it will explain why an explanatory process tracing, following the theory testing the technique, enriched by data triangulation and document analysis, is warranted to conduct the empirical research analysis in the succeeding chapter.

3.2.1 Case Study

This thesis will perform a case study comparison between China's behaviour in Venezuela and Sri Lanka; the most suitable research methods for this type of analysis is the most similar case study design. This technique is most common in theory-driven comparative politics, including a small N analysis (Mills et al., 2010). This technique can also serve a dual purpose, first in the case selection process and second as a method of analysis (ibid.).

The most similar research design uses two cases at a minimum. ² The chosen cases are very similar in many aspects ² except the variable of interest, and the analysis starts with an apparent anomaly, where the two cases apparently similar, surprisingly show a different outcome (Gerring, 2007; p.1531). The study of these cases will unveil the factor (s) of differentiation between the two cases (ibid.p.1531). the most similar research design usually starts with strong hypotheses, which is the case in this research, and aim to provide a confirmatory proposition by exploring the causal mechanisms (ibid.)

The two studied cases Sri Lanka and Venezuela which have different dependant variables in this case lenient vs hostile attitude from the part of China are somehow identical in many aspects in their relation to China, except for one characteristic, this characteristic is what this research is trying to unveil using this kind of case study design. The two cases showed a unique effect that was not present in the other case. The is the effect, and its influence of the variables variation must be present in the causal mechanism of the case study.

The most similar case study design is a prime example of positivist epistemology. This method will enable the clash two theories using empirical facts, allowing a comparison of the results and knowledge about which theory is allowed able to hold up better in front of empirical analysis.

3.2.2 Process Tracing

In line with the conventional constructivism methodological rationale, this thesis will employ a theory-testing process tracing methods to understand the causal mechanisms behind China's variegated approach towards its debtors. The process tracing will mainly focus on the years from 2005 to 2019, and it will mainly focus on deriving empirical data from the case study in order to be able to compare the causal chains between the two cases of Sri Lanka and Venezuela following the method of pattern matching.

¹ Process tracing as a qualitative research design allows making strong within-case causal inferences in a small N case study design (Beach & Pedersen, 2013; p. 2), which makes it suitable for the case study this thesis seek to carry. ¹ Instead of merely showing a correlation or conjunction, process tracing opens up the "black box" of causality allowing an in-depth understanding of the intervening process or the causal mechanism through which independent variables exert an effect on the dependent variables (Gerring, 2010; p.1508). The causal mechanism, in this case, which is explained by Beach and Pedersen (2013; p.2) ¹ "as a complex system which produces an outcome by the interaction of a number of parts", is suitable for this thesis as it tries to understand the intervening interaction that led to China's decision to a use a lenient or a hostile approach. Process tracing will help to trace the sequence and the developments of events over time that preceded China's decision, also suitable for this thesis as it tries to understand the causation behind the decisions.

Beach and Pederson outline three types of process tracing: theory testing, theory building, and outcome explanation. Theory testing entails a deduction technique to test whether the empirical evidence manifests the existence of the causal mechanisms inferred by the theories (Beach and Pedersen, 2013). In other words, using this technique will enable the researcher to gain knowledge about the validity of their theorized causal mechanism. Outcome explanation as another method of process tracing aims to generate a minimally sufficient explanation of a particular historical outcome of a single case study (Beach and Pedersen, 2013; p.18). This method also makes use of theoretically informed causal mechanisms in the same way as theory building. Although the difference between the two methods is blurred, outcome explanation, aim at explaining a particular puzzling historical outcome and is less interested in the validity of the causal mechanism outside the case under investigation (Beach and Pedersen, 2011). Due to the societal relevance of this thesis – enabling policymakers and politicians in indebted countries to make an informed decision regarding their debt to China, and the presence of a theoretically informed hypothesized and causal mechanisms in this case of Venezuela and Sri Lanka cases. A theory testing approach is warranted; however, the empirical results may only serve as a feasible explanation in their context-specific alone and cannot be generalized or reproduced. Future scientific studies on possible debts default to China will be able to verify or falsify the causal mechanisms presented in this thesis.

The process tracing in the succeeding chapter will be presented as an explanatory narrative or as Dray (1985) describe it: sophisticated storytelling. The explanation will be presented in a structured causal story; this manner of laying out the empirical analysis will allow the reader to engage with the material in a logical discursive way, by putting forward a rational presentation of the chain of events and the underlying structural changes in conditions that led to a change in the agents' behaviour. By doing so, it will become possible to construct and identify the context at a given point in time that led to the structural change in the conditions, to understand how and what explains the change in the agent's behaviour.

3.2.3 Document Analysis

Document analysis as a way to systematically analyse and review document (Bowen, 2009) will also be employed as a qualitative research method in this thesis. The document analysis technique used is a simple document analysis without any coding or classification of the documents. The document analysed will help to identify themes and patterns informed by the language with a focus on the content and the

contextual meaning of the texts used in these documents to better understand the behaviour of the agents involved in the process. The primary documents used during the process of this thesis are as follows: a 2008 congress report regarding the influence of China in Asia, President Sirisena election Manifesto.

3.2.4 Data Triangulation

This thesis will also employ a data triangulation approach. This approach entails a recourse to a ²multiple types of sources to investigate the phenomenon of interest (Downward & Mearman, 2007). Data triangulation will allow to creating a substantive picture of reality ¹because multiple lines of sight are used (Berg, 2009); in addition to a maximized understanding of the explanandum by the researcher and this method will minimize the inadequacies of the research by enabling the use of various data sources (ibid.). Data triangulation will also resolve the problem of ²limited access to a particular set of sources, which was a problem encountered during the research process of this thesis.

3.3 Operationlization and Data Selection

The hypotheses as outlined in chapter one involve a fair amount of abstract concepts that need to be connected to more concrete empirical measurements; hence, ⁹it is important to provide an operationalisation of these concepts to factors that can be recognised in the empirical analysis. These concepts include bandwagoning with China; bandwagoning with another dominant state in the system; strategic security importance of China; The change, the stabilisation, and the intensification ¹⁵⁴of the relationship between China and both Sri Lanka and Venezuela.

3.3.1 Operationalization of the Structural Realism Concepts

The operationalisation of the realism concepts will include economic, diplomatic, and arms trade indicator that are able to measure whether a bandwagoning with China is taking place or not. The bandwagoning for another dominant state will be assessed by searching for an indicator of rapprochement between the debtor state and another relevant dominant state. Finally, The security importance of a country relation to China will be measured using two indicators steaming from the location of the debtor state in relation to China and the second assessing the strategic vulnerabilities of countries in relation to China's naval route.

3.3.1.1 Bandwagging with China

Three measures will be employed to determine whether a bandwagoning is taking place or not: First, An economic measure and it will include trade inflow and outflow from China to the indebted countries. Second, an arms trade measure, which will include the arms sale from China to the indebted countries. And lastly, a diplomatic measure showing the diplomatic ties between China.

For the economic measure, import and export trade from China to Sri Lanka and Venezuela data will be compiled from The Observatory of Economics Complexity from the years between 2005 and 2017. An increase in the cash inflow and outflow will signal an increase in the bandwagoning between the states involved and a decrease in the flow will be a decrease in bandwagoning.

3.3.1.2 Arms Trade

For analyzing arms trade data available from the Stockholm International Peace Research Institute will be used showing the yearly arm trade between China and both Sri Lanka and Venezuela. The institute measure arms trade between countries based on their military capabilities and not their financial values, they developed a measuring unit called TIV and allows to measure trends in the flow of arms between countries over time (Sheet, 2012).

This data is one of the most reliable sources on arms trade globally knowing the lack of data transparency of military matters by governments. The time span covered with this data is the same as the trade index between 2005 and 2017. This area is particularly important to Sri Lanka as it coincides with the final years of Sri Lanka civil war from 2006 till 2009, where a considerable amount of arms were purchased by the Sri Lankan government. An increase in arms trade or its consistency over an extended period of time is a clear sign of bandwagoning between two states. The arms trade is a significant sign of bandwagoning between two states because usually, the state refuses to sell arms to countries that they deem to be a threat to their national security or can pose a risk of using these arms in the future against the provider's interests abroad or at home. Moreover, arms trade provide a good indication of the trust and alignment on national and international topics two states shares. For example, states will not provide arms to countries they do not share views on the international topic with not to countries who not are promoting the same norms as the arms provider of the international scene. However, an increase in arms sales can show a dependency of the weaker state on the arms provider as its only legitimate ally in the international system.

3.3.1.3 Diplomatic Relations

For Analyzing diplomatic ties, this thesis will look at instances where China used its power as a permanent member and veto holder in the United Nation Security Council (UNSC) to defend or protect the National interests of Venezuela and Sri Lanka as seen by these two countries at the time of the discourse. These instances include the attempt by Security Council members in March of 2009, to include the allegations of Human rights abuses during the Sri Lankan civil war as an agenda point in the UNSC. Then Again in May of 2009, during a session of the United Nations Human Rights Council (UNHRC) when a European backed resolution tried to launch a probe in the Sri Lankan government's actions. The other instances are regarding the ongoing political impasse in Venezuela, where the US organized an informal public UNSC meeting on Venezuela in 2017 (Nichols, 2017) and again in 2019, a UNSC meeting pertaining the call for presidential reelection in Venezuela. These voting instances provide a good indicator of bandwagoning because they show the level of depth of the relationship between two states.

Especially between a strong state and a weak state, which is the case in examples, where weak states depend on the stronger states when they find themselves in a weak position enable to efficiently defend themselves against third party interventionists or aggressors, also creating a dependency of the weak state of the stronger state.

3.3.2 Strategic Security Importance for China

In line with the Sea Power Theory of Alfred Mahan, the strategic security importance to China will be operationalized using two data source. The first methods will be based on the security and the geopolitical constraints faced by China and in line with its recent BRI expansion plan, where maritime lines are of strategic importance to achieve China's strategic interests of regional hegemony and security. China strategic interests are highly correlated with its sea line of communications also known as the string of pearls in the sea, which are highly vulnerable to threats from state and non-state actors (EFSAS, 2019). The visual examination of the string of pearls in the Indian Ocean that passes through several major maritime strategic points including the Strait of Mandeb, Strait of Malacca, and the Strait of Hormuz and other strategic Maritime centres, including, Pakistan, Sri Lanka, Bangladesh, Maldives, Djibouti, and Kenya (Dabas, 2017) will enable the detection of strategically important location along the string which China might be interested in having a foothold it to increase its security, protection of strategic shipping lane, its geopolitical edge offer is rivals and economic competitor in the Asia region, and foster stronger diplomatic relations with its trading partners(Khurana 2008, Pehrson, 2006).

The other data source is extracted from Parker et al.'s paper of 2018, *Debtbook Diplomacy China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy*. Parker et al. have constructed a score sheet built of Criteria's assessing strategic vulnerabilities of countries along China's naval route in relation to China's interests. One of the criteria's is a country's strategic desirability for China, and it is built on three assessments: the country's strategic location, e.g. proximity to the Strait of Malacca, First Island chain, second island chain. Potential port or base/airfield access, or valuable natural resources and value as a diplomatic-ally, e.g. the Association of Southeast Asian Nations (ASEAN) voting rights (Parker et al., 2018). The scores range from 1 to 5. 1 being the lowest concern to China meaning that the state location and resources are of minimal strategic importance to China and 5 being the highest concern to China meaning that the state is of state location and resources are of high strategic importance to China.

3.3.3 Bandwagoning with Another Dominant State in the System

India is considered the other big power relevant to Sri Lanka, based on the historical, religious and close proximity the two countries share. Also, India remains the biggest trading partner of Sri Lanka. For that reason, evidence on Sri Lanka trying to bandwagon with India will be examined, including statements from officials in the government of President Sirisena, Presidential election manifestos, journals and publications during the period that preceded the seizure of the Hambantota port period that document the foreign policy strategies followed by President Sirisena and his government. These documents will be examined to show statements or a policy change by the Sri Lanka leadership in an effort to distance itself from China and try to align more with India, one of China's main competitor in the region as an indication of bandwagoning.

For Venezuela, The US continuous interest in the country's affairs makes it the obvious competitive of China to influence the country. For that purpose, news articles and journals will be examined for evidence on whether any diplomatic rapprochements between Venezuela and the US or any other Latin American country was taking place in the period that preceded China offering Venezuela debt reliefs in 2016. Such rapprochements if found can indicate an effort by the Venezuelan leadership to align itself with its geographic environments by initiating talks of bilateral agreements with the hegemon, the US, or the current status quo states in America, such as Chile, and Canada.

3.3.2 Operationalization of the Social Constructivism Concepts

The operationalisation of the social constructivism concepts will include an examination of the ideological-political changes of the debtor countries to check whether these changes influenced the relationship with China. Moreover, the stabilisation of the relationship will be measured by examining the treaties the debtors and the creditor share. Finally, the intensification of the relationship will be measured by examining the loans given by China in line with the mutual help concept and the degree of internalisation within the Kantian relationship.

3.3.2.1 The Change from Kantian to a Lockean relationship

To test whether the relationship between China and both Sri Lanka and Venezuela, has changed from Kantian to Lockean. First, the Kantian relationship will be established by looking at the relationship based on the norms and values the countries shared in both cases and how it developed in the era prior to 2015. Thereafter, to check whether a change, an intensification or a stabilization took place, it is important to examine whether the norms and values Venezuela and Sri Lanka shares with China have changed by examining whether an ideological political change took place before China decision of handling the countries debts. As these ideological political changes might have influenced their relationship with China by changing the norms, the debtor and the creditor states share and have played a role in China's decision on the handling of their debts. For that purpose, we will examine the period that followed and preceded Sri Lanka's 2015 Presidential elections that saw a transfer in power from President Mahinda Rajapaksa to President Maithripala Sirisena. Also, Venezuela's 2015 parliamentary elections where the opposition parties won a supermajority, to analyze how these events that took place shortly before China's decision regarding the handling of the debt of both countries, influenced the relationship and norms they share with China and hence the culture that commands their common relationship. The discussion will stem from the norms China shares with the debtor countries, namely, the socialist governance, opposition to the hegemon, and territorial integrity and sovereignty. As a change in the leadership of the ruling party, it often means a change in the ideologies, values, and norms. Such change will have an influence on a country relationship with external actors and other institution as outlined earlier in the theory chapter. A change in ideology and morality that does not align with the ideology and morality of China will induce the latter to change how they perceive the culture with shares with this country. A change in the relationship from Kantian to Lockean according to Wendt's framework will allow China to consider the country as a rival where coercive actions, such as hostile assets take over can be justified as legitimate and necessary. The opposite is also true, unchanged norms and values from the creditor side, cannot

legitimize the use of coercive actions from the part of China under the same framework, based on shared identities and values. The data gathered to check whether such a change between China and the debtors' states took place will include quantitative and qualitative sources. These sources are debts figures, documents from experts, policy documents, official governmental documents, academic research papers, and statements from politicians, news media and journals articles. Journals articles can help to strengthen the research by mapping out the chain of event that took place before the decision was made by China on to how to deal with its debtors in distress. As often, many of these journals include quotes and interviews from sources and agents involved in the decision making process or have insight information on the process, which can enrich the research.

3.3.2.2 Stabilization and the intensification of the Kantian relationship

The check whether a Kantian relationship remained, stable treaties between the involved countries will be examined. Treaties represent a very important characteristic of the Kantian relationship – mutual help. Treaties enable countries sharing the Kantian relationship to mutually aid each other by increasing collaboration in multiple fields, including military, economic, development, etc. Any infringement of these treaties or suspension indicates that the Kantian relationship is not intensifying but rather abating between the two states. Moreover, any signature of contradicting treaties, especially if signed with what Wendt calls the mutual enemy or the outside aggressor is a clear signal that the relationship if not stabilizing but rather also abating.

In line with Wendt's second and three degrees of internalization, where an increase in the degree of internalization will mean an intensification of the mutual aid the two countries are sharing a relationship are willing to give. The intensification of the Kantian relationship between the countries will be tested using the number of loans given by China to Venezuela and Sri Lanka before and after 2015, the year that was poised with political changes in both countries that might have influenced the relationship with China compared to the previous years. An increase in the number of loans given by China will indicate an intensification in the relationship from the second to the third degree and a decrease in the amounts of loans granted will mean the opposite. For Sri Lankan Debts, the Author compiled data from the yearly publication of the Sri Lankan Ministry of Finance showing the number of yearly credits given to Sri Lanka by countries and other international financial institutions. For Venezuelan debts, data is extracted from the Inter-American Dialogue think tank financial database showing the yearly amount of debts inflow from China to Venezuela.

Chapter 4: Empirical Analysis

This chapter aims at explaining China's variegated behaviour toward its debtors in distress while following the process tracing approach. First, the ² **explanandum is outlined in greater** details, and then **moving to the explanans**, where **the** two theories will be tested separately for both countries, to test whether hold true or not based on the theoretically deduced factors. Finally, a summary of the main findings and hypotheses will be outlined.

4.1 The Explanandum

After Sri Lanka turned almost solely to China for financial support to build new development projects ⁴⁶ **under the leadership of President Mahinda Rajapaksa between 2005 and 2015**, China has always willing to provide the necessary loans to Sri Lanka. However, the interests on these loans are one or two per cent above similar loans by other countries and institutions. An interest rate ³⁶ **that the Sri Lankan government was willing to** pay to secure funds, knowing several financial assistance requests by Sri Lanka were rejected by other country and international institutions, based on negative feasibility studies of several projects that were financed by China (Abi-Habib, 2017). In July of 2017, after the departure of President Rajapaksa and his replacement by President Maithripala Sirisena, Sri Lanka was no longer able to meet its debts obligation to china, due to economic unworthiness of the port that failed to attract enough ship to be profitable, to the pre-existence the Colombo port in Sri Lanka, a relatively small country. After months of negotiations, the two government reached an agreement by which the ⁶⁹ **Hambantota port is leased to China Merchants Port Holdings**, a state-owned Chinese enterprise for 99 years (Abi-Habib, 2017). The Chinese company agreed to pay USD 1.1 billion for its stakes in the port, with the agreement that this money will be used to pay back Chinese loans (Sirilal & Aneez 2017b). The port lease resulted in a massive backlash against China's actions internally in Sri Lanka by workers unions fearing the lease of the port will enable china to replace them with Chinese works and by parliamentarians accusing the Sirisena government of selling out national assets to foreign countries and demanding the government to renege its decision (Abi-Habib, 2017). Also, although, Chinese officials insisted that the Chinese government interests in the port are purely commercial. China faced an external backlash by policymakers, think tanks, and journalist accusing it of "Debt trap diplomacy" and "credit imperialism" by using debts to bend nations to its will

and allowing it to access to strategically important assets (Chellaney, 2017). Also, by other governments, mainly the Indian government signalling suspicion over the intentions behind China's BRI deals and fearing, the Hambantota port will be used for military purposes (Abi-Habib, 2017)). After it was apparent that the Sri Lankan government will default on its repayment plans, it initially wanted to amend the terms of the loans related to the Hambantota port by extending the repayment timeline and by adding more financing to the report; however, the Chinese counterpart insisted on debts swap instead easing of the loaning terms (Abi Habib, 2017).

On the other hand, in the Venezuela case, since the arrival of President Hugo Chavez to power in 1999 with an agenda that sought to establish a socialist rule instead of a liberal one in Venezuela, the Chinese Venezuelan relationship grew and expanded to new heights. Venezuela owns the biggest oil reserve in the world, and China is the biggest importer of oil in the world. Coupled with ideological similarities, the two countries embarked on a partnership that says entail China making considerable investments in Venezuela in multiple sectors including transportation, oil. In return, Venezuela became China's primary source of petroleum, with more than 350,000 barrels shipped per day to China at its peak and the two countries wanted to have a win-win situation of mutual collaboration and a long-term friendship. During that time, between 1999 and 2014, China has become Venezuela's biggest financier, loaning it a total amount of more than USD 60 billion since 2007 alone making Venezuela also the largest single recipient of Chinese loans in the world (Ferchen, 2018). However, after the death of President Chavez in 2013, and the events and succeeded this death, mainly the dramatic collapse in the global oil prices since 2014, which the Venezuelan economy is almost solely dependent on for survival and prosperity, and caused a near-total collapse of the Venezuelan economy. Also, the political impasse in Venezuela of 2014, manifested by the opposition to the rule of current President Maduro. All these factors meant that Venezuela is no longer able to pay back China its loans nor to send enough oil shipments as the previous agreements. After a de facto loans payment default by Venezuela to China starting from 2014, due to its inability to enough oil to China to pay off its debts on time. In 2016, with Venezuela becoming a liability to China more than a reliable partner; with more than 20 billion of loans still outstanding. China offered Venezuela a two-year grace period, demanding Venezuela only to pay the debt service and offered it a new credit line of USD 2.2 billion to expand its oil production capacity in 201. In 2018, it was reported than the grace period was extended for an unknown period, and China promised Venezuela a credit line to further increase its oil production during a President Maduro state visit to China (Kaplan and Penfold, 2019).

These two conflicting approaches of China dealing with different debtors render the accusations for debt trap diplomacy flawed; as there are growing concerns that Venezuela will never be able to pay China back in the foreseen future fully. Nonetheless, China kept the Venezuelan regime afloat by deferring loans and offering new ones in addition to supporting Venezuela on the international stage. However, Sri Lanka was not offered any helplines and was instead obliged to surrender a national asset to a state-owned Chinese company, despite a wide range of opposition of the move from parliamentarians and unions in Sri Lanka after it was evident during the negotiations that debt write off or restructuring is off the table. China's driving motives behind its treatment of these two different debtors remain broadly disputed since these two cases are telling different tales. The case of Sri Lanka can serve as a demonstration of China's ambition to become a hegemonic force in global affairs and the case of Venezuela; it can demonstrate China's willingness to cooperate with emerging countries to promote stability, prosperity and economic growth.

4.2 The Explanans: Explaining China's Behaviour Using Structural Realism

4.2.1 Sri Lanka Explanans Structural Realism

The following section will attempt to trace the driving powers behind China's decision on how to deal with Sri Lanka using structural realism, by highlighting the economic, diplomatic, military, and the strategic geopolitical ties between China with Sri Lanka to understand the inferring reasons and evidence that can explain China's behaviour. Also, the section will examine the relationship between Sri Lanka and India to check for bandwagoning with a state other than China and whether this bandwagoning has influenced China's decision and behaviour.

4.2.1.1 Sri Lanka Bandwagoning with China

This section will test whether a bandwagoning between China and Sri Lanka took place based on the three indications laid out in the operationalization: 1. The diplomatic relations; 2. Trade relations; 3. Arms deals.

4.2.1.1.1 China to the rescue in the UN

In March of 2009, China supported Sri Lanka in the UN over an effort by three non-permanent members of the Security Council to include a discussion of the situation in Sri Lanka on the agenda of the council amid allegations of human rights violations and a humanitarian crisis during the Sri Lankan civil war. China

used its position as a permanent member of the UNSC to keep Sri Lanka off the agenda during security council meetings, citing that the matter is an internal affair and do not pose a threat to international peace and security (Samaranayake, 2011; Lee, 2009).

In May 2009, a special session of the UNHRC saw the defeat of resolution put forward by 17 members including European countries to launch war crimes probe into the Sri Lankan government and Tamil Tigers actions during the last phase of the war and condemns both sides for violations of human rights and international law, urging the government to cooperate with international institutions (HRW, 2009; Philp, 2009). However, the resolution was dwarfed due to the opposition of China among other nations. Another resolution supported by China and Sri Lanka later replaced it condemning the Tamil Tiger actions against civilians and reaffirming the respect of sovereignty, territorial integrity and independence of Sri Lanka, and emphasizing on its sovereign rights to protect its citizens and combat terrorism (UNHRC, 2009, p.1; HRW, 2009). Sri Lanka later hailed the resolution as a diplomatic win and thanked China for its support (BBC, 2009).

These two instances of China supporting Sri Lanka diplomatically which took place during the height on the Sri Lankan civil war and the prime years of the Chinese Sri Lankan relationship well before the seizure of the Hambantota port in 2017 indicate a bandwagoning between Sri Lanka and China. During that time Sri Lanka, a small country was abandoned by most of its traditional allies such as India, the hegemon, the US, and other status quo countries such as the western countries, amid accusations of war crimes. It found in China a strong ally to bandwagon with to increase its security and China faced with the structural constraints was willing to use its institutional global power and influence to protect Sri Lanka's interests and sovereignty in order to gain an ally as part of its defensive realism strategy.

4.2.1.1.2 China Sri Lanka Trade Relations

China and Sri Lanka economic relations date back for centuries due to the proximity of the two countries and the importance of Sri Lanka's ports in the East-West sea trade. Since the arrival of President Rajapaksa in 2005 and until his departure in 2015 the volume of Chinese imports to Sri Lanka increased by more than five folds and China became the second importing partner of Sri Lanka in 2011 according to the Observatory of Economic Complexity (see Table 2). China remained second to India, as the biggest trade partner of Sri Lanka, which saw its share of imports

also increase from 17⁷³ per cent to 26 per cent during the same period. This increase in the Chinese to Sri Lanka is a sign of the growing relationship between the two states, which can indicate bandwagoning⁹ between the two countries based growing relationship between the two countries. In 2017, during the year of the Hambantota port seizure, the import from China decreased by 3 per cent. This import decrease can be due to the change in the relationship⁹ between the two countries as a result of the seizure. However, the decrease over only one year, which can be due to a multitude of reason including the tense relationship between the two countries, cannot refute the idea that a strong bandwagoning in its economic component, was taking place up until the seizure of the Hambantota port in 2017. In regards to export to China, Sri Lanka⁷² is not a significant trade partner for China due to its relatively small size and its status as a developing country that does not have a comparative advantage over Chinese products. However, an increase in trade volume took place between 2005 and 2015 from USA 36 million to USD 357 million in 2015 (see table 3). However, a drop in export also took place in 2016 to USD 260 million (see table 3), only to bounce back a little bit in 2017 but remained well under the peak numbers of 2015. This trade outflow increase between 2005 and 2015, albeit, the slight increase of 2016 is also a good indicator of bandwagoning between Sri Lanka and China at least up until 2017.

Table 2: Sri Lanka Import from China

Sri Lanka Import from China	Total Value of Import (USD)	Percentage of the Total Import	Rank of China as an Exporter
2005	658 Million	7.7	3 rd
2006	809 Million	8	3 rd
2007	976 Million	8.3	3 rd
2008	1.21 Billion	8.5	3 rd
2009	985 Million	10	3 rd
2010	1.27 Billion	9.7	3 rd
2011	2.19 Billion	11	2 nd
2012	2.55 Billion	14	2 nd

2013	2.83 Billion	15	2 nd
2014	3.37 Billion	16	2 nd
2015	3.55 Billion	17	2 nd
2016	4 Billion	20	2 nd
2017	3.68 Billion	17	2 nd

Source: Table complied by the Author using data from The Observatory of Economics Complexity.

Table 3: Sri Lanka Export to China

Sri Lanka Export to China	Total Value of Export (USD)	Percentage of the Total Export	Rank of China as an Importer
2005	36 Million	0.56	21 st
2006	33.2 Million	0.6	22 th
2007	50.7 Million	0.61	23 rd
2008	62 Million	0.69	25 th
2009	64.7 Million	0.86	23 rd
2010	93.1 Million	1.1	18 th
2011	135 Million	1.3	19 th
2012	154 Million	1.5	17 th
2013	153 Million	1.5	16 th
2014	210 Million	1.8	14 th
2015	357 Million	3	6 th
2016	260 Million	2.3	9 th
2017	287 Million	2.4	9 th

Source: Table complied by the Author using data from The Observatory of Economics Complexity.

4.2.1.1.3 Arms Deals and ¹⁸¹Sri Lanka's Civil War

Although ⁸³Sri Lanka arms purchase remains limited, at least compared to Venezuela, ¹²⁷China has played an essential role in the Sri Lankan government victory over the Tamil insurgents in the last years of the civil war. A 2008 report to Congress warns that conventional arms sales are an

essential tool of China diplomacy and China uses them to advance its strategic interests (USCC, 2008; p.242). The weapon transfers between the two countries more than doubled between 2005 and 2008, one year before the conclusion of the civil war in 2009 and China became Sri Lanka's largest arms trader in the years between 2006 and 2008 (see table 4). This arms sales tipped the balance of power in favour of the Sri Lankan government, especially after the US ended temporary all military aid to Sri Lanka in 2007 after growing allegations of human rights abuses (Peter, 2010). Sri Lanka must have needed China's friendship during that period after facing an international boycott over its handling of the war. After the end of the civil war, arms trade stopped between the two countries, most probably due to the unnecessary of arms for Sri Lanka during that period of peace. However, the single biggest arms purchase made by Sri Lanka since 2008 was in 2017, but the seller was India and not China.

This yearly increase in arms purchase made by Sri Lanka from China up until 2017, same diplomatic ties and trade relation, reflect the clear bandwagoning that was taking place between China and Sri Lanka at least up until 2017 the year of the seizure of the Hambantota port by China. Based the strategies of the two countries facing the structural constraints, Sri Lanka bandwagoning with China in order to protect its security and sovereignty against an internal aggressor and China gains an ally as part of external balancing strategy, inching closer to achieve its own hegemony.

Table 4: Arms transfers to Sri Lanka from largest international suppliers

TIV Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Australia										5				5
China	28	49	48	66		4								195
France													8	8
India	0	10	21	11									37	78
Indonesia				1										1
Israel	30	18	19		21		11							99
Pakistan				1										1
Russia									20					20
Ukraine		21												21
United States			5				10							15
Total	58	97	92	79	21	4	21		20	5			45	443

Source: Stockholm Peace Research Insititute (SIPRI Arms) Transfers Database, generated 6 May 2020

4

Figures are SIPRI Trend Indicator Values (TIVs) expressed in millions.

Recapitulation

Based on the three measures chosen to test the bandwagoning between Sri Lanka and China, diplomatic ties, trade relations, and arms deals. A bandwagoning between the two states was taking place at least up until 2017, the year of the seizure of the Hambantota port. The first hypothesis suggests that in case of bandwagoning a lenient attitude will be adopted by China toward Sri Lanka, however, despite the empirical evidence showing clear bandwagoning until the time of seizure, China adopted a hostile attitude. This implies that H1: *the creditor state will a hostile attitude in case the creditor state is bandwagoning with the debtor state can be rejected in the case of Sri Lanka as China choose to seize the port instead of offering Sri Lanka debt relief options.*

4.2.1.2 Bandwagoning with another state and Sri Lanka's relationship with India

In the period from 2005 until 2015 during the Presidency of Mahinda Rajapaksa, Sri Lanka foreign policies overwhelmingly favoured and relied on China. This was manifested by the continuous loans that the country obtained from China during his tenure. Moreover, his estrangement from the west was apparent and was manifested by the multiple calls for investigation of his government actions during the war, and India is openly criticizing his domestic policies (De Silva, 2018). On the other hand, President Sirisena, who came to power in 2015, sought to change this situation and distance the country from China, at least to certain extend.

In his presidential manifesto, President Maithripala Sirisena stated, "Cordial relations will be strengthened with India and China" and with other principal and emerging Asian countries (Sirisena, 2015; p.44). He also added that his administration foreign policies would take into consideration the diversity of India and "would act to have closer relations [with India] with an attitude that would not be neither anti-Indian nor dependent" (ibid. p.44). The President Collation partner, Ranil Wickremesinghe, who later became the prime minister of the first Sirisena government, was quoted shortly after the elections saying: "we [the next government] will improve relations with India, but that doesn't mean it will be hostile to China" (Sunddarij, 2015) urging India to Invest more in his country. President Sirisena first official foreign visit soon after taking office was to India, which is significant to show further the change of allies Sri Lanka embarked on.

In May of 2017, during the Presidency of Sirisena, three months before the seizure of the Hambantota port between Sri Lanka and China and during a state visit of the Indian Prime minister Modi to Sri Lanka. Sri Lanka had rejected a Chinese request to dock one of its submarines in the capital Colombo port (Aneez & Sirilal, 2017a). This incidence is notable showing Sri Lanka's newfound interest in having a different relationship with its traditional neighbours because between 2003 and 2016 Chinese vessels and submarine were allowed to dock in Sri Lankan ports (Allen et al., 2017). Most notably in 2014, a Chinese nuclear submarine was allowed to dock in the Colombo port during a state visit of the Japanese prime minister to Sri Lanka, a move that angered India and was seen across the region as a menacing signal (Aneez & Sirilal, 2017a; Abi Habib, 2018). President Sirisena chooses India as his first official foreign visit and later stated "India has been a friend of Sri Lanka for a long time and that is why I selected India for the first state visit after my election" (Eurasia Review, 2016).

Based on what had preceded, it is apparent that Sri Lanka's new administration sought to establish a friendly foreign policy with all its traditional neighbours and maintain an Asia centric stance avoiding any bandwagoning with any of the dominant states, namely India and China. The administration aimed at keeping a balanced approach in its foreign dealings, unlike the previous administration's foreign policies that were weighted toward China. China might have been alarmed by this development that happened in 2015, two year before the seizure of the Hambantota port, and considered that the best option to protect its acquired influence in Sri Lanka is to keep the port under its control. In case, the administration of President Sirisena did seek to further bandwagon with India, which can hamper China's interests and efforts in the country and the region. However, evidence, in the form of an official statement or otherwise could not be found to establish China's discontent with the Sri Lanka-India rapprochement. This ambiguity is, however, normal as Chinese foreign policy is often conducted with ambiguity and China is wary not to present itself as a country willing to get involved with country internal affairs. This change will imply that the "raison d'être" the relationship becomes flawed as Sri Lanka is no longer interested in bandwagoning with China to protect its security and China can no longer reply of Sri Lanka as part of its external balancing strategy. Fearing that Sri Lanka is starting to bandwagon with India, China took an aggressive attitude toward it. Hence, H2: *the creditor state will change a hostile attitude toward the debtor state because the debtor state is starting to bandwagon with another dominant state*, hence, H2 can be confirmed in the case of Sri Lanka.

4.2.1.3 China's String of Pearls

16 examining the naval routes of China, we can first notice the naval dilemma China faces, as it has no direct access to the Indian Ocean, its main route of inflow and outflow of trade. Secondly, its access to the Ocean is limited to one strait known as the Strait of Malacca between 72 Indonesia, Singapore and Malaysia and any blockage of this strait will have dire consequences to China in terms of both trade and Security. The previous president of China, Hu Jintao, even acknowledged the important and the strait to China and stated that “certain major powers were bent on controlling the strait [Hence the need] for the adoption of new strategies to mitigate the perceived vulnerability” (Storey, 2006).

21 Sri Lanka located in the middle 23 of the Indian Ocean along with the Maldives, where Chinese interests have also peaked in recent years with the signature of a free trade agreement signed by both countries in 2017 during the tenure of China-friendly Maldivian President Abdulla Yameen (Panda, 2019), knowing that China barely imports anything from the Maldives (Ranjan, 2019) and a whopping USD 3 billion in loans owed by the Maldives to 107 China (Reuters, 2019), a country of USD 5 billion annual GDP, amid speculations of a Chinese plan to build a naval base in the Maldives (Scott, 2008; p.7).

49 Sri Lanka's location in the middle of China's 31 outflowing routes via the Bab al-Mandab Strait and the inflowing trade mainly the oil and gas trade via the Strait of Hormuz and its proximity to the Strait of Malacca make its location a paramount security interest for China. China will be very interested in establishing a foothold in this region and a port lease such as the Hambantota port is crucial for China security and strategic interests in the region. In an interview of 2009, Admiral Yin Zhou, an expert of the Chinese navy acknowledged the need for a “stable and solid Chinese base” in the Indian Ocean to secure the navy supply lines, and he suggests the ports of Gwadar in Pakistan and the Hambantota ports as a potential location of these ports if the communist party is to move ahead with his suggestion (Raman, 2009). China has already invested in the port of Gwadar, which currently being operated by China Overseas Port 25 Holding Company until the year 2059. The Gwadar port is also of strategic geopolitical importance to China, as it can serve as an alternative route to oil and gas 3 among other exports supplies via pipelines passing through Pakistan to China in the case of a dispute in the strait of Malacca or the South China Sea area (Ramachandran, 2015; Alam, 2015).

Therefore, the hostile move taken by China in regards to the Hambantota port could be categorised as an attempt as part of its offensive realism strategy to secure another pearl along its shipping lanes in the Indian Ocean, an opportunity that China will be reckless to pass. This move is also relevant especially after taking into consideration the current dominance of the US navy in the Indian Ocean, and a win for China in this Ocean will mean more power for it and less power for its adversaries.

Figure 1: China's Naval Network and Sea Line of Communication



Source: Center for International Maritime Security, 2017.

Parker et al. (2018) give Sri Lanka a score of four on their scale of desirability for China, only second to Malaysia's score of five due to its direct proximity to the Strait of Malacca. Malaysia has also suffered in recent years from monumental debts to China estimated at USD 22 billion during the tenure of China-friendly former prime minister Najib Razak (Beech, 2018). The new government of Malaysia cancelled some of the Chinese projects, citing their inability to pay back their obligation and irregularities in the bidding and the oversights processes that favoured Chinese stated-owned companies (ibid.). The New York Times cited the previous Malaysian Minister of Defense when confronted with China's string of pearls strategy in the Indian Ocean saying: "You look at a map and you can see the place where China is plotting ports and investments, from Myanmar to Pakistan to Sri Lanka, on toward Djibouti. What is crucial to all

that? Our little Malaysia and the Malacca Straits, I say publicly that we do not want to see warships in the Strait of Malacca or the South China Sea” (ibid.).

Myanmar is another Country with a front on the Indian Ocean and scored high on the Parker et al. scale of desirability for China that has received its fair share of Chinese investment in recent years as part of the BRI. In 2018, Myanmar and CITIC a Chinese state firm agreed on a USD 7.2 deal financed by China for the expansion of the seaport in Kyauk Pyu on the Bay of Bengal (Lee and Aung, 2017). Myanmar in addition to its strategic location in the Indian Ocean shares a land border with both China and India and can serve as a direct land bridge to China reducing the voyage through the Strait of Malacca by five to six days (Shee, 2003).

These scores serve the analysis as a further confirmation of China strategic interest in Countries and port that have a direct front on the Indian and can serve China’s security interests in times and peace and war alike. Countries along the string of pearls are being “cultivated” by China as potential investments partners with a particular interest in investing in the development of ports operated by state-owned Chinese companies, in line with expansionist offensive realism strategy. China might not have planned before in advance to seize the Hambantota port, however, when Sri Lanka was unable to pay off its debt, China saw this as an opportunity it cannot ignore to establish a foothold in the Indian Ocean; hence, a hostile approach was necessary.

Table 5: Country Vulnerability Assessments/ String of Pearls

Country	Desirability for PRC
Pakistan	3.5
Djibouti	3
Sri Lanka	4
Malaysia	5
Myanmar	4
Thailand	3
Kenya	2

Source: Parker et al 2018.

Recapitulation

Based on the above two measured used to test Sri Lanka's strategic importance to China we can deduce that Sri Lanka location is of significant strategic importance to China, which can explain the hostile attitude toward it. Hence, H3: *the creditor state will take a hostile attitude toward the debtor state because its location is of strategic importance to China* can be confirmed in the case of Sri Lanka. Regarding H4: *the creditor state will take a lenient attitude toward the debtor state because its location not of strategic importance to creditor state* can be rejected in the case of Sri Lanka because China chooses a hostile attitude toward Sri Lanka which is of strategic importance to China.

4.2.2 Venezuela Explanans Structural Realism

The following section will attempt to trace the driving powers behind China's decision on how to deal with Venezuela using structural realism, by highlighting the economic, diplomatic, military, and the strategic geopolitical ties between China and Venezuela. Also, this section will examine the relationship between Venezuela and its neighbours to check for bandwagoning with states other than China and whether this bandwagoning have influenced China's decision and behaviour.

4.2.2.1 Venezuela Bandwagoning with China

This section will test whether a bandwagoning ³⁵ between China and Venezuela took place based on the three indicators presented in the operationalization: 1. The diplomatic relations; 2. Trade relations; 3. Arms deals.

4.2.2.1.1 China supporting Venezuela in the UN

In November of 2017, one year offered the debt relief offered by China Venezuela and as Venezuela constitutional crisis intensified after the Supreme court dissolved the National Assembly led by the opposition parties to President Maduro, in addition to the economic crisis and months of massive protests across Venezuela demanding an early presidential election, leaving dozens of people dead and hundreds injured. The USA called for an informal public UNSC meeting on Venezuela. China, among other members, boycotted the meeting, citing that member states should not be involved in the situation (Nichols, 2017). A New York Times later reported that the Anti protest gears utilized by the government to repress demonstrators are made by a Chinese state-owned company (The New York Times, 2017).

In 2019, China along with Russia vetoed a USA led resolution demanding new presidential elections in Venezuela and voted in favour of a counter resolution drafted by Russia calling for a dialogue between the government and the opposition (UN News, 2019). It is important to note here that China rarely use the veto option in the UNSC and it rather known to abstain instead vetoing a resolution that does not directly influence the interests of China. This vetoing is a clear sign that China considers the political turmoil Venezuela directly related to its global and domestic interests. The last time China cast a veto vote apart from vetoing resolution related to the Arab Syrian Republic, was back in 2008 on a drafted resolution related to peace and security in Zimbabwe (The Dag Hammarskjold Library, n.d.) where China has also made significant investments (Chun, 2014).

The above two instances which took place during the height of the international pressure on Venezuela to introduce democratic reforms and well after Venezuela was clearly unable to meet its debts obligations to China indicate a bandwgoning between Venezuela and China. During that period Venezuela was facing sanctions from most of the western powers, and it is considered a rogue state my most of its neighbours. China was willing to risk its international reputation to protect and support Venezuela against its adversaries, this is based on the extrnal balancing strategy followed by China and the need for venezuela to bandwagong with a strong state to deter its rivals from infringing on its soverienty.

4.2.2.1.2 Venezuela China Trade Relations

Chinese-Venezuelan trade relations were less than USD 500 million before 1999. During the Presidency of Chaves and after that, these numbers expanded exponentially, especially in terms of export to China that peaked USD 12.5 Billion in 2012 and constituted 8.2 per cent of Venezuela's exports. These numbers continued to decline steadily ever since to reach USD 4.9 billion in 2016 and USD 6.42 billion in 2017, however, the percentage of these exports concerning the total exports continued to grow from 1.2 per cent in 2005 to reach 23 per cent of Venezuela total exports in 2017 (see table 6) which increasing trading relationship between the two countries. These numbers clearly show the bandwagoning tend to increase between the two countries. Moreover, they also show the complete dependency of Venezuela on China for revenue amid the sanctions from multiple westerns countries on publicly owned Venezuelan companies, especially in the field of petroleum. These numbers also show the staggering amount of debts owed by Venezuela to China as the debts are being paid back in petroleum shipments (Venezuela's biggest import) to China. Concerning imports from China, these numbers increased almost ten folds between 2005 and 2012 to reach USD 9.78 Billion in 2012, however, kept increasing ever since to reach USD 1.65

in 2017 (see table 7). These numbers although decreasing in value due to the oil glut that started in 2014 and accelerated in 2016;

resulting in Venezuela's decreasing ability to import and contributed to the decline in the value of the Venezuelan currency. These numbers also indicate bandwagoning and the dependency of Venezuela on Chinese imports as these USD 1.65 of imports constituted 18 per cent of Venezuela total import in 2017 after the same monetary value constituted around 6 per cent of imports in 2006 (see table 6).

Table 6: Venezuela Export to China

Venezuela Export to China	Total Value of Export (USD)	Percentage of the Total Export	Rank of China as an Importer
2005	799 Million	1.2	7 th
2006	1.52 Billion	2	6 th
2007	2.7 Billion	4.8	3 rd
2008	5.53 Billion	5.1	4 th
2009	3.64 Billion	4.1	3 rd
2010	5.79 Billion	6.2	3 rd
2011	9.89 Billion	6.9	3 rd
2012	12.5 Billion	8.2	3 rd
2013	11.4 Billion	7.9	3 rd
2014	10.1 Billion	16	3 rd
2015	6.07 Billion	18	2 nd
2016	4.9 Billion	18	2 nd
2017	6.42 Billion	23	2 nd

Source: Table compiled by the Author using data from The Observatory of Economics Complexity.

Table 7: Venezuela Import from China

Venezuela Import from China	Total Value of import (USD)	Percentage of the Total Import	Rank of China as an Exporter
2005	913 Million	4	5 th

2006	1.73 Billion	6.2	5 th
2007	2.37 Billion	6.5	4 th
2008	4.44 Billion	9.1	4 th
2009	3.98 Billion	10	3 rd
2010	3.86 Billion	11	3 rd
2011	4.57 Billion	11	2 nd
2012	9.78 Billion	17	2 nd
2013	6.4 Billion	14	2 nd
2014	5.62 Billion	15	2 nd
2015	5.3 Billion	19	2 nd
2016	2.52 Billion	17	2 nd
2017	1.65 Billion	18	2 nd

Source: Table complied by the Author using data from The Observatory of Economics Complexity

3.2.2.1.3 Venezuela and China arms trade

Although China remains in second place behind Russia as a supplier of arms to Venezuela overall, it has been a steady arms supplier since 2006 with a yearly trade increase and its biggest supplier since 2015 (see table 8). This increase shows a strong bandwagoning between the two countries and the dependency of Venezuela on China in arms purchase.

Table 8: Arms transfers to Venezuela from largest international suppliers

TIV Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Austria					1	1	1	1		1	5			9
China		14	27	41	54	89	8	51	97	74	100	76		629
Germany					8	8	32	8		4				60
Iran								0	1					1
Israel	5	5												10
Italy					3	3	10	3						18
Netherlands	12	6			13	13	75	21		10				150
Russia		356	747	697	252	57	266	516	881	79				3850
Spain					24	24	188	55						290
Switzerland					4	4	16	4						28
Ukraine						11		28	14	14	56	61		184
United Kingdom	4													4

United States											6			6
15 Total	21	380	774	737	358	208	596	687	993	181	167	137		5238

Source: Stockholm Peace Research Insititute (SIPRI Arms) Transfers Database, generated 6 May 2020.
 Figures are SIPRI Trend Indicator Values (TIVs) expressed in millions.

Recapitulation

Based on the three measures chosen to test bandwagoning between Sri Lanka and China, diplomatic ties, trade relations, and arms deals. A bandwagoning between the two states was taking place before the debts relief offered by China in 2016 and sustained after 2016. The first hypothesis suggests that in the case of bandwagoning, a lenient attitude will be adopted by China toward Venezuela. The empirical evidence showed a clear bandwagoning and a lenient attitude being adopted by China toward Venezuela. Hence, H1: *the creditor state will take a hostile attitude in case the creditor state is bandwagoning with the debtor state* can be confirmed in the case of Venezuela.

4.2.2.2 Venezuela's Relationship with its Neighbours

In August 2019, both President Maduro and President Trump indicated that the two countries had held unofficial talks in the preceding months despite the cut in diplomatic relations between the two countries back in January of the same year after the USA recognized opposition leader Juan Guaido as interim President instead of Maduro. However, there has been no evidence suggesting that Venezuela was trying to bandwagon with another state before or after 2016. Apart from an informal meeting held in Colombia by President Maduro and then the US secretary of state John Kerry in 2016 during a peace deal signed between the Colombian government and the FARC Group (Zengerle, 2016). During that period, the Venezuelan government was also facing mounting pressure from its Latin American neighbours who created in addition to Canada the Lima Group in 2017, calling for free elections in Venezuela and criticizing the breakdown of democratic order in Venezuela (Government of Canada, 2018). This breakdown has intensified the international pressure on Venezuela and left it with no other option than to rely on its influential traditional allies China and Russia. Hence, H2: *the creditor state will take a hostile attitude in case the debtor state is bandwagoning with the debtor state* can also be rejected in the case of Venezuela because China took a lenient attitude toward Venezuela which was not bandwagoning with any other state at the time.

4.2.2.1.3 Venezuela Strategic Importance to China

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The strategic security importance of Venezuela to China cannot be tested the same as of Sri Lanka, and the concept of the string of pearls cannot be applied due to the far proximity of Venezuela from China. This nonetheless is not insignificant as it can serve a further prove that China will take a more lenient approach with countries who are not in direct contact with its naval security lines, in line Mearsheimer power of power concept, crucial for states increasing their powers. Moreover, China might we worry that any attempt to seize any assets in Venezuela which will establish a physical foothold for China in Latin America can upset the hegemon in the system, the US, and the status quo powers in the region. China is better off utilizing Venezuela's position in the system as an offshore balancer, trying to balance and oppose a common enemy or the distant hegemon, the US.

Based on the above H3: *the creditor state will take a hostile approach toward the debtor states because the debtor state location is of strategic importance to the creditor state* can be rejected in the case of Venezuela as China choose a lenient with Venezuela because its location is not of strategic importance to China. Moreover, H4: *the creditor state will take a lenient approach toward the debtor states because the debtor state location is not of strategic importance to the creditor state* can be confirmed 68 in the case of Venezuela, because the Venezuelan case is not able to disapprove this hypothesis since China choose a lenient approach to deal with Venezuela's debts.

4.3 The Explanan: Explaining China's Behaviour Using Social Constrcutivism

4.3.1 Social Conscructivism Sri Lanka Case

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The following sections will examine whether the relationship between Sri Lanka and China was changed intensified, or stabilities based on the shared norms and values they share, the examination will be supported by the treaties and loans involving the two countries. The construction of the relationship will follow Wendt's factors of change between cultures of anarchy and the degree of internalization with the cultures.

4.3.1.1 The Change in Sri Lanka's Kantian Relationship with China and the Presidency of Maithripala Sirisena 57

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When the previous President of Sir Lanka between 2005 and 2015, Mahinda Rajapaksa, came to power in 2005 as the leader of Sri Lanka Freedom Party, a social-democratic party who claims to follow a non-alignment foreign policy but always had strong ties with socialist nations (Madanayaka, 2016). Rajapaksa

kept this alignment tradition and instead amplified it with stronger ties with China based on their shared norm of socialist rule, and this was apparent from the strong commercial, diplomatic and military ties the two countries shared as demonstrated previously in this thesis. This relationship was necessary for Sri Lanka under the prevailing geopolitical situation at the time as China played an essential role in the government victory ²⁹ of the civil war, while Sri Lanka was facing international isolation from the international community. During that period, China has helped Sri Lanka, withstand ⁷¹ territorial integrity and sovereignty, and resist interference in its internal affairs by other nations. These norms of territorial integrity and non-interference are also norms that both nations value as very important and represent the building blocks of China's foreign policies according to its five principals of peaceful coexistence and norms Sri Lanka fought to preserve ¹²⁴ during the civil war.

In the post-war era, Sri Lanka and China continued their close economic and diplomatic ties. President Jinping of China during a visit to Sri Lanka in 2014 ³⁴ pledged to "strengthen cooperation in areas such as port construction and development, development and construction of coastal industrial parks, maritime economy and maritime security" (AFP, 2014). This cooperation was apparent as Sri Lanka embarked on several development projects, including the Hambantota port in 2010, mainly using loans received from China. The period after the civil war in Sri Lanka was characterized by a high economic growth that averaged 7 per cent a year (Jayasuriya, 2014) and a drastic increase in Sri Lanka's commercial loans from China. In the period from 2005 to 2015, Chinese loans constituted 60 per cent of the total debt owned by Sri Lanka (Moramudali, 2019).

¹⁰⁴ Up until the presidential election in 2015, it is safe to say that Sri Lanka was in the sphere of China, and relied on it for diplomatic and economic security. This security enabled its ruling party under the leadership of President Rajapaksa to assume political legitimacy through economic growth and acknowledgement of its right for sovereignty and to defend itself against the Tamil insurgents. This relationship was in line with the President's party norm of socialist governance they share with China. Moreover, China's military assistance was paramount in Sri Lanka's decisive ¹⁴⁷ victory over the Tamil ⁴⁸ insurgents allowing the end of the civil war and increased Sri Lanka's security. China, on the other hand, also benefited from its relationship with Sri Lanka. This relationship allowed it to gain friends on the international scene that share its socialist norms. More importantly, by having an amicable relationship with Sri Lanka, ¹⁴⁶ China as a revisionist state in the system, holding the norms of redistribution ¹⁴⁵ of power and the hierarchy of prestige in the system as an important priority (Johnston,

2003; p.10) was able to undermine the hegemon and its Lockean rivals in the region. Indian political analysts voiced concerns over the Hambantota port and believe that China has launched an effort to encircle India in the Indian Ocean and the investments in the Hambantota port are part of this effort (Sakhuja, 2009). Besides, The US, as the hegemon also viewed Sri Lanka- China relationship as a threat to its hegemony in Asia and its effort to contain China. Based on that have preceded, it can be concluded that the relationship between Sri Lanka and China up until 2015 was a Kantian relationship based on mutual friendship and shared norms and identities.

After almost ten years in power, President Mahinda Rajapaksa called for early presidential elections two years ahead of schedule, which took place in January of 2015. The incumbent President was seeking reelection for a third term and was contested by Maithripala Sirisena, supported by the United National Party, a right conservative party. President Sirisena won the election with a small margin. Maithripala Sirisena was seen as a more “pro-western”, “pro-India” candidate than his predecessor President Rajapaksa and was looking at rebalancing Sri Lanka’s foreign policy toward more engagement with India and the USA (Balazs & Mendis, 2015) and Which Jain (2017) called a paradigm shift in the Sri Lankan foreign policy.

These intentions were made clear from the start of his nomination and were materialized during his presidential tenure. After assuming office, President Sirisena put on hold multiple Chinese investments in the country and directed his administration to investigate all deals signed by the previous government amidst allegation of corruption and bribery during the previous administration regarding the handling of the Chinese contracts (Stevens, 2015). A move that was criticized by China with its ambassador to Colombo saying that Sri Lanka should have a greater sense of gratitude for the development assistance and this halt caused the lowest period of relationships between China and Sri Lanka (Aneez, 2016; Dhamarwardhane, 2016).

The election loss of Rajapaksa in addition to the new government intentions to restore the relationship with China’s Lockean rival India and the temporary freeze of Chinese investment in Sri Lanka until a corruption investigation is conducted. All the factors are sufficient to detect a change in the culture the two countries share. China no longer sees Sri Lanka as a Kantian partner, sharing the same norms and identities namely the opposition to the hegemon and the socialist governance norms, but rather as a rival where the use of coercive actions can be legitimate and necessary by China to defend its

norms and values. Sri Lanka is no longer willing to take part in China's effort to dispute the ¹⁴³ distribution of power in the system and is no longer willing to defer China's interests over the interests of its rivals based on the Kantian rules of mutual security, mutual aid, a teaming up against a mutual enemy. As for Sri Lanka, it appears that was not looking for enmities or rivalry with China; however, it wanted if possible to keep its strong relationship with China but to decrease to Kantian relationship to the first degree instead of the second or the third degrees. Where the two countries reach a cultural understanding that rules out existential threats to Sri Lanka. However, this might not have pleased China it looks at fully committed partners of which it relies on to increase its security

Based on the above change in the ¹⁶ relationship between Sri Lanka and China took place in 2015, two years before the seizure of the Hambantota port. Sri Lanka was looking to balance its approach in dealing with its neighbours. China saw this as a withdrawal from the mutual norms and values the two countries shares which can explain the hostile attitude of China toward Sri Lanka. Hence, H5: *the creditor state adopts a hostile attitude toward the debtor state because the culture between the two states has changed from a Kantian to the Lockean relationship can be confirmed* ¹⁷ in the case of Sri Lanka.

¹⁷ 4.3.1.2 Sri Lanka Treaties with China and Stabilization of the Kantian Relationship ⁹⁵

Sri Lanka and China have enjoyed a close diplomatic relationship since the '50s of last century, and Sri Lanka was ¹⁰³ one of the first countries to recognize the PRC and accepted its right to sit in China's seat in the UN ⁸¹ instead of Taiwan (Samaranayake, 2011; p.134-135). Sri Lanka (previously known as Ceylon until 1972) established formal ³⁵ diplomatic relations with the PRC in 1957 (MFA, n.d.). This recognition entails that Sri Lanka accepts the ³⁵ "One China" policy and recognize the PRC and not Taiwan as the only government of China. However, in June of 2017, one and half year into the Presidency of Sirisena and one month before the seizure of the Hambantota port Sri Lanka and Taiwan signed a pact in Taipei to boost collaboration in the fields of economic exchanges, trade and the exploration of investment opportunities between the two sides (Taiwan Today, 2017). This move can also be categorized under Sri Lanka's new approach to deal on an equal foot with all its Asian partners reducing its sole dependency on China. However, this move might have been seen by China as an attempt by Sri Lanka to foster the relationship with China Lockean enemies in the region. This move is a clear breach of one of China's

norms – Mutual respect of one another territorial integrity and sovereignty as defined by its five principals of peaceful coexistence.

Furthermore, after the signature of major cooperation agreements between Sri Lanka and China in 2014 ranging from trade and commerce to military and diplomatic, during a state visit of Chinese President Jinping at the invitation of the previous Sri Lankan President Rajapaksa (MFA, 2014a; 2014b). In 2015, straight after the incumbent of the new Sri Lankan President Sirisena and during his first foreign state visit after assuming office, he signed with India Key agreements on trade, civil nuclear cooperation, and defence and security cooperation (BBC, 2015).

Sri Lanka signature of these agreements with China's rivals in Asia, India and Taiwan after the change in power in Sri Lanka from President Rajapaksa to President Sirisena is a clear sign that the relationship between the two countries is not intensifying nor becoming more stable. It is rather lessening as Sri Lanka was looking at diversifying its pool of allies, reducing its sole reliance of China in line with the policies advocated and manifested by the new President Sirisena.

The above shows that the Kantian relationship between Sri Lanka and China has not stabilized. Hence, H6: *the creditor state adopts a more lenient attitude toward the debtor state because the culture between the two states remains a stable Kantian relationship can be rejected* in the case of Sri Lanka as China adopted a hostile attitude because the relationship between the two countries was not stable in 2017.

4.3.1.3 Sri Lanka Intensifying relationship with China

In the case of Sri Lanka, according to the numbers compiled using data from the Ministry of Finance, loans kept coming even after the political change took place in Sri Lanka in 2015 (see table 9). These numbers can be due to the dependency of Sri Lanka on Chinese loans for projects that were previously agreed upon with the previous administration. However, compared to the number of Chinese loans to Venezuela, the amount was minimal, and it cannot constitute a substantial financial exposure to China especially considering the huge political benefits that can ensue in case the Hambantota port scenario is repeated.

Based on Wendt's degree of intensification of the Kantian relationship and due to the change in norms and values of ¹²¹ Sri Lanka the relationship between Sri Lanka and China did not intensify but instead regressed in the period after 2015, however, China kept issuing loans to Sri Lanka, and a hostile attitude was chosen. This contradicts the mechanism of internalization within the culture. As a regression in the relationship will entail less assistance and fewer loans and a hostile attitude; however, in this case, the hostile attitude was present; however, assistance still took place. Meaning that the relationship between the two countries was not completely shattered. Hence, H7: *The creditor state adopts a more lenient attitude toward the debtor state, because the Kantian culture between the two states has intensified further can be rejected* in the case of Sri Lanka.

Table 9: Loans Given to Sri Lanka by China

Year	Type	Total Amount (USD)
2007	Bilateral Loans	65.8 Million
2008	Bilateral Loans	NA
2009	Bilateral Loans	1.2 Billion
2010	Bilateral Loans	821.5 Million
2011	Bilateral Loans	784.7 Million
2012	Bilateral Loans	1.05 Billion
2013	Bilateral Loans	517.9 Million
2014	Bilateral Loans	308.92 Million
2015	Bilateral Loans	407.8 Million
2016	Bilateral Loans	440.6 Million
2017	Bilateral Loans	542 Million

Source: Data complied by the Author using data from the Srilankian Ministry of Finance.

4.3.2 Social Constructivism Venezuela's case

The following sections will examine ⁴² whether the relationship between Venezuela and China has changed, intensified, or stabilized based on the shared norms and values they share; the examination will be supported by the treaties and loans involving the two countries. The construction of the relationship will follow Wendt's factors of change between cultures of anarchy and the degree of internalization within the cultures.

4.3.2.1 Venezuela, China and the Kantian Relationship

When the current President of Venezuela Nicolas Maduro came to power in 2013, as the leader of the United Socialist Party of Venezuela, a party with strong roots in anti-capitalism and anti-imperialism after the death of President Hugo Chavez, the relationship between China and Venezuela was at its peak, and it could be defined as a Kantian relationship. This relationship was nurtured during the 15 years rule of President Chavez rule based on the shared identifies and norms between the two countries. President Chavez was searching for an alliance to defy the US hegemony found in China a natural ally, sharing the idea of changing the global order and the counter-hegemonic political project (Agustín, 2016; p.105). In addition to the strong socialist ties, the two countries share based on their similar political ideologies, President Chavez, during a visit to China was cited saying that “the Bolivarian revolution is rooted in the ideology of communist China’s founder, Mao Zedong” (Domínguez, 2006; p.41).

During that time, between 1999 and 2013, Venezuela was the biggest investment destination for China in Latin America, and bilateral agreements saw China investing more than 60 billion in Venezuela. The relationship was on an upward trajectory and evolving even more with further with Chinese investment in a multitude of projects in Venezuela. For example, a USD 7.5 billion Chinese projects to build a fast railway in Venezuela in 2009 and new investment to increase the agriculture capacity in Venezuela. This relationship was necessary for Venezuela to ease the US sanctions on the country and enabled it to find trade partners outside the American continent. However, after the death of President Chavez in 2013 and the 2014 oil crisis that followed; the relationship and commitment of both nations were put to the test. After having accumulated enormous amounts of debt owed to China, in 2015, Venezuela found itself in an economic and political crisis. The global low oil prices heavily influenced Venezuela’s ability to export its commodities and hence its ability to pay to pack its debts to China, and many of the previously agreed-upon projects had to be halted. Moreover, after the parliamentary elections of 2015 which saw the Democratic Unity RoundTable, the opposition alliance to President Maduro winning an absolute majority in parliament, which resulted in a political impasse in the country that lasted beyond the new presidential elections in 2018.

During the crisis, the Chinese government has supported President Maduro in line with the Kantian relationship they share that did not change on the international as previously demonstrated in this thesis. Also, in 2015, amid the global oil prices, with around USD 20 billion of loans was still outstanding with Venezuela; China offered Venezuela USD 5 billion of new money as part of a previously agreed deal

to navigate the crisis. In 2016, after it became apparent that Venezuela will no longer be able to pay its debts. China offered it debt relief in the form of a two-year moratorium on the country's bilateral loans, loosening the terms on Venezuela's outstanding loans and it to pay interest only and deferring its principal payments, in addition to extending repayment deadlines for commercial contracts (Kaplan & Penfold; 2018; p.31). However, it seems that although China kept of its alliances with the Maduro regime, it took a pragmatic approach in Venezuela to preserve its economic interests by stopping all new financing which is not aimed at increasing the oil production since 2015 to increase Venezuela's ability to pay back its loans.

Based on what has preceded shows that Chinese-Venezuelan relationship remained a Kantian relationship until 2016 and beyond and China respected this relationship by offering Venezuela a relief on its outstanding debts. Hence, H5: The creditor state adopts a more hostile attitude toward the debtor state, because the culture between the two states has changed from a Kantian to a Lockean relationship can be rejected in the case of Venezuela because China did not adopt a hostile attitude however the relationship between the two countries remained a Kantian one.

4.3.2.2 Venezuela Intensifying Relationship with China

Venezuela and China have established a strategic partnership since President Chavez took office in 1999. In 2001, the two countries signed the Chinese-Venezuelan Memorandum of understanding and established the "High-Level Mixed Committee" responsible for overseeing the bilateral cooperation between the two countries in multiple domains (Feinberg, 2013). Since then the committee oversaw the signature of more than 500 bilateral agreements. Between 2015 and 2018, the two countries signed more than 40 bilateral agreement between the two countries for cooperation in multiple sectors (Koermer, 2017; Garcia, 2018). At the time, Venezuela was facing increasing sanctions from various countries, including the US and the EU over its handling of protests that took place in the country. These treaties are an indication that the relationship Venezuela and China remained a stable Kantian relationship during that period. Hence, H6: *The creditor state adopts a more lenient attitude toward the debtor state; because the culture between the two states remains a stable Kantian relationship can also be confirmed in the case Venezuela.*

4.3.2.3 Intensifying the Relationship with China

Considering Venezuela's loans, China was far generous with its loans regiment during the Chavez years that amounted to almost USD 50 billion between 2007 and 2013 (see table 10). However, after president Maduro took office in 2013 and after the political impasse started in Venezuela after the demonstration broke out in 2014 and the political change manifested by the opposition coalition winning a supermajority in the parliamentary elections of 2015. China became warier of the loans it gives to Venezuela fearing that any political change in the country will negatively influence its interest. Since 2015, China has not lent the central government new loans; instead, channelling funds into joint ventures and preexisting tranches of loans (Kaplan & Penfold, 2019; p.13). In 2015, loan of USD 5 billion was part of a renewed tranche of debt and not a new credit line (ibid). The 2016 loan of USD 2.2 billion was given by China to the national oil and petroleum company as a new credit line however it was aimed to boost its ability to expand operation so Venezuela could replay its debts under the loans for oil deals (ibid, p.30) and in 2017 no new loans were granted to Venezuela. China feared that a possible change in power would mean that it be losing its preferential treatment of oil shipment payments and it will have to go through international channels to collect any outstanding debts in the case of default as Venezuela most probably will be at looking generating cash with the sales of its petroleum instead of paying back China's Loans.

After two years of no new lines of credit provided by China, in 2018, President Maduro visited China in hope for new loans that can help Venezuela during its economic crisis. News Media reported that the two countries agreed on a USD 5 billion new credit line citing a government official saying, "Venezuela's government is actively promoting economic and financial reforms" (China Economic Review, 2018). Moreover, it was reported that Venezuela sold 9.9 per cent of its shares in a joint oil venture called Sinovensa to a Chinese oil company increasing the Chinese share to 49 per cent. During the visit, President Maduro was cited staying that "the Sinovensa sale formed part of the plan to invest USD 5 billion over the next year in projects to double oil production and we will be able to send a million barrels per day to China (Reuters, 2018). These two statements are significant to establish the dynamics of the relationship between the two countries. After the almost open credit line given by China before the 2015 era, now any new loans to Venezuela are conditional, first by economic and financial reforms and more importantly, more power and influence to Chinese companies in the preexisting, new ventures between the two countries. This treatment is a clear sign of a new way from the part of China in dealing with Venezuela, which is based on conditionality which is not a sign of an intensified relationship the two countries.

Following Wendt's degrees of intensification within the Kantian relationship; Although the norms and values China and Venezuela shares have not changed, the relationship between them did not intensify. Based on the preceding explanation. Although China kept issuing loans to Venezuela these loans limited in value and scope compared to the previous loans and conditionality was introduced which is not in line with the Kantian conceptualization of predominance of the collective value over the national value for China. However, a lenient approach in regards to the debt was still present in this case which not in line with a regressive relationship. Hence, H7: *The creditor state adopts a more lenient attitude toward the debtor state, because the Kantian culture between the two states has intensified further* can also be rejected in the case of Venezuela.

Table 10: Loans Given to Venezuela by China

Year	Type	Lender	Total Amount (USD)
2007	Energy	China Development Bank	4 Billion
2008	NA	NA	NA
2009	Energy and Mining	CDB and China EX-Im Bank	5 Billion
2010	Energy and Others	China Development Bank	21.4 Billion
2011	Energy	China Development Bank	5.5 Billion
2012	Energy	China Development Bank	5.5 Billion
2013	Energy, Mining, Infrastructure	China Development Bank	10.091 Billion
2014	Infrastructure	China Ex-Im Bank	4 Billion
2015	Energy	China Development Bank	5 Billion
2016	Energy	China Development Bank	2.2 Billion
2017	NA	NA	NA

Source: the Inter-American Dialogue's China-Latin America Finance Database.

4.4 Summary and Main Findings of the Empirical Analysis

Table 11: Hypothesis

Hypothesis	1	2	3	4	5	6	7
Sri Lanka	Rejected	Accepted	Accepted	Rejected	Accepted	Rejected	Rejected
Venezuela	Accepted	Rejected	Rejected	Accepted	Rejected	Accepted	Rejected

Venezuela and Sri Lanka have benefited from the diplomatic, economic and military support China provided, especially during Sri Lanka's civil war and the western countries effort to oust president Maduro,

further strengthening the bandwagoning between China and the two countries. The three measures test indicate that a bandwagoning between Sri Lanka and China was taking place at least up until 2015; nonetheless, a hostile attitude was employed by China in dealing with Sri Lanka's debts, which in line with the expected causal mechanism of the first hypothesis. The bandwagoning between Venezuela and China on the other hand, which remained beyond 2015, can explain the lenient position of China toward Venezuela debts in line with the causal mechanism of the first hypothesis.

Regarding bandwagoning with another dominant state in the system, during the period of the Hambantota port seizure, Sri Lanka was showing new interests in establishing a better relationship with India, China's rival in the region, which can explain the hostile attitude employed by China in dealing with its debts in line with the causal mechanisms of the second hypothesis. Venezuela, on the other hand, remained committed to its relationship with China, and did not bandwagon with any other state, which can explain the lenient attitude; hence, the H2 can be rejected in the case of Venezuela.

The unexpected results for H1 in the case of Sri Lanka manifested by the hostile attitude despite the bandwagoning, can be explained by H3, which predict a hostile attitude in the country location is of strategic importance. Sri Lanka's location along the string of pearls in the Indian Ocean makes it a strategic geopolitical asset for China, in line with offensive realism. H4, on the other hand, is well explained in the case of Venezuela, with no direct proximity to China, it China a lenient attitude toward Venezuela debt in line with the defensive realism causal mechanism.

Regarding the change from Kantian relationship to a Lockean relationship, the election of President Sirisena in Sri Lanka meant that one of the countries is no longer fully committed to the shared norms and values with China, which can explain the hostile attitude toward in debts in line with the causal mechanism of H5. Venezuela, on the other hand, remained the norms and values it shares with China; hence H5 can be rejected in the case of Venezuela.

The Kantian relationship between China and Sri Lanka was not stabilizing in 2017, due to Sri Lanka's signatures of key bilateral agreements with India, and a collaboration pact with Taiwan, and hostile attitude toward its debts, hence H6 can be rejected in the case of Sri Lanka. Venezuela and China, on the other hand, signed multiple new cooperation agreements during the debt distress period, rending the relationship between more stable, which can explain the lenient attitude toward its debts in line with the causal mechanisms of H6.

Chinese loans kept pouring into Sri Lanka after the political change in 2015 and the abate in the degree of internalization in the relationship between the two countries, however, still a hostile attitude was chosen to deal with Sri Lanka debts, which is not in line with the causal mechanism of H7. In Venezuela, on the other hand, although the relationship between the two countries remained somehow stable and did not intensify, a lenient attitude was chosen; however, new loans became less frequent. More directed, and conditional in order to increase Venezuela to pay back China's loans and increasing China's influence the joint ventures between the two countries, which is also not in line with the causal mechanism of H7.

In Both cases, China chooses to deal with the debts distress using a pragmatic approach, maximizing its material gains in Sri Lanka by seizing an important asset in the Indian Ocean and keeping the country dependent on China regardless of the nature of the relationship they share. In Venezuela despite the

political change looming in the horizon, China kept the regime afloat; to make sure its loans are paid back in the best way possible, while at the same time decreasing its exposure to President Maduro regime. Both approaches aim at increasing China's national interests, increasing its global influence, and making sure China's security is maintained, and this was done irrespective of the debtor's interests, and to the mutual moralities and principles china shares with them.

Chapter 5: Conclusion

This thesis interrogated why the Chinese government chose different approaches in dealing with its debtors Venezuela and Sri Lanka and aimed to understand China's varied approach to both cases. This thesis will argue that China's national and global material interests in line with the structural offensive and defensive realism constraints are the most important factors in determining its approach to debtors in distress.

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In the case of the Hambantota port seizure in Sri Lanka, after an amicable relationship between the two countries. Where China remained loyal to this friendship by standing up for Sri Lanka's right of Sovereignty in multiple occasion on the international scene, in addition to military and economic support to help Sri Lanka regain its territorial integrity and helped the country rejuvenate after the end of the civil war. However, this assistance to Sri Lanka cannot be considered as a demonstration of shared norms and values between the two countries but rather as an external balancing act by China, knowing all well in advance the paramount importance of Sri Lanka's geographic location in China's battle as a revisionist state against the hegemon, the US and its regional Asian collaborators. The dominance of balancing instead shared norms and values in China's relation with Sri Lanka is magnified in the seizure of the Hambantota port. After a political change in Sri Lanka in 2015, that signalled Sri Lanka's new leadership to have a more balanced relationship approach with all its neighbours including China. The latter then felt that its security interests are no longer guaranteed with the defensive realism approach with Sri Lanka immediately moved to the offensive strand, by insisting on seizing the port instead of offering Sri Lanka debts relief when it was no longer able to large debts it accumulated with China.

China's eagerness for regional hegemony in Asia in line with offensive realism, led it when the opportunity presented itself to disregard any moralities or identities factors it shared with the debtor and took action to increase its regional security in the Indian Ocean. By doing so, China signalled its willingness to take hostile actions against friends and allies, who are contemplating repositioning themselves with the US and its Asian status quo collaborators namely India and inching a step closer to its aim of achieving hegemony using bad debts. Moreover, by choosing a hostile attitude toward Sri Lanka, China made sure it is not falling in a creditor trap itself, with billions of dollars in loans outstanding with a country unable to sustain its debts and can face default at any time, as it is the case with Venezuela.

Sri Lanka offers a prime example to illustrate what can go wrong when a country embarks on a debt relationship with a state like China, fighting a structural war within the anarchic system an inspiring to be a hegemon itself. Ignoring all the early warning signs regarding accumulating massive loans for development projects, especially at a time when it was ¹⁴shunned by the international community over its practices during the civil war that ended in 2009 and located in a ⁷⁴strategic location in the Indian Ocean critical to China's interests. knowing the number of debts already incurred to China, it is hard to imagine how Sri Lanka, even if it wanted, can distance itself from China anymore. As it is not only stuck in a debt trap but also in a dependency trap with; which can explain the continuation of the acceptance of the ²⁰Chinese investments in the country even after the seizure of the Hambantota port.

In the case Venezuela, China also prioritized its national interests over the interests of Venezuela, although it might seem that China offered the lenient attitude. The lenient attitude was present indeed, but this was intended to serve China's interests rather than Venezuela's interest. China remained pragmatic and wary of the level of its engagements with the Maduro regime. After the political change in 2015, China only offered confirmed new credit to Venezuela for the amount of USD 2.2 Billion by China development bank and directed toward the increase of Venezuela's oil production, which are de facto retransferred to China, with it is almost the sole importer of Venezuela gas, amid the western countries sanctions on Venezuela oil production. More importantly, Venezuela pays Chinese debts in the form of oil shipment only, and the only way China can make sure its debts are repaid is by ensuring that the current Venezuelan regime remains afloat. Since the opposition parties already signalled their wish, if they assume power, to deal will Venezuela creditors on an equal basis via the so-called "Paris Club" for creditors. If this happens China can be sure that their debts are even less secure than they are now as other countries will be asking for their debts to be paid equally via the "Paris Club". Again in 2018, a USD 5 billion new credits we promised to Venezuela conditioned to Venezuela making reformed aimed to increase it and oil production and increasing China's share in joint ventures.

Conditional lending has not been historically the band of Chinese loans, and this is the reason that makes these loans appealing to countries with rogue regimes, especially in Africa and Latin America. These regimes, wanting access to new credits without the need to go through the conditionally and reforms often requested by the international institutions and other big lenders. It will be interesting to see how

these new terms if became the norm in China's lending will influence its appeal and its effort to use debt to increase its presence and power globally

Moreover, although China offered Venezuela a debt moratorium and debt restructuring which can be considered as a lenient attitude in part based on the good relationship between the two countries, China did not offer Venezuela to date any significant debts foreignness to Venezuela. This lenient approach can be due to two important factors: by doing so, China made sure that the Maduro regime remains afloat for the longest period possible and remains loyal to China as its only source of international legitimacy, and this part of China's external balancing approach with the hegemon, the US. Moreover, by keeping the Maduro regime afloat, the regime remains to play its most crucial role in the structural struggle is involved in with the hegemon the US. Venezuela socialist regime is according to offensive realism an offshore balancer angering the hegemon, the US in Latin America on behave of China, just enough for the hegemon, the US to consider retaliatory actions against China.

For Venezuela, the future looks gloomy, as it battles political and economic adversities with few available remedies and it is similarly to Sri Lanka, or even more so, facing a debt trap which, will most likely viral out of control if the conditions in the country do not improve and utterly dependent on China for survival and political legitimacy.

China's Behavior is best explained based on the structural realism causal mechanisms, and less so by the causal mechanisms of social constructivism. China is shifting between offensive realism in some instances and defensive realism in others, depending on what can better serve its material national interests and its quest for more security and power. China's counterbalancing acts against the US and other dominant states in the system, coupled with its aspiration to become a hegemon itself, or at least aiming at creating a multipolar system in international politics along with the US, are far more superior than the norms and values it shares with some countries, and it is willing to put those aside in its quest²⁴ for more security and power in the anarchic international system. However, these norms and identities are not entirely insignificant as it is will interesting to see how China would have dealt with Venezuela if the two countries did not share norms and values and whether the same approach will be adopted based on the realism theory. In both cases, however, China was able to use bad debts successfully to increase its global influence and inched one-step closer to establishing its aspired global hegemony.

This thesis presented valuable theoretical and empirical insights into China's decision-making mechanism, which are essential to show that China's ideas and norms play little importance into its decision making. The thesis has shown how structures are essential for causality and can restrain the ability of the agents. Astringent social constructivism conceptualization of China's behaviour would not have been able to unveil the causes behind China's actions. However, realism is almost entirely oblivious of the role agent's play.

This thesis tried to demonstrate that the realism theory is better equipped to understand China's behaviour toward its debtors fully. It argued that social constructivism theory falls short on explaining China's behaviour to its fullest extent; however, they are not entirely irrelevant to understand China's behaviour. However, one theory can never understand the whole reality or the real world out there. Reality cannot be understood without the ideas and moralities the involved agents believe in. Agents, structures, material power, ideas, and norms, possess ontological power on the causal mechanisms that cannot be reduced to one another, however, they are still part of the whole integrated reality

A future theoretical suggestion will be to apply transcendental realism, which stratifies reality into multiple layers to understand China's behaviour. Interconnecting the different layers of reality enable to the researcher to go beyond limits of realism and social constructivism combined by enabling a better understanding of the causation, the agents, and the structure resulting in a more advanced understanding of causal mechanisms in all instances.

Limitations

The main limitations of this thesis were the public unavailability of the contracts signed between China and the debtor countries regarding the loans agreements. These contracts would have significantly benefited the research as they can uncover leniency and hostility in the contracts themselves and any opaque terms imposed by China on the debtors. For instance, the interest, duration of the loans or any discretionary terms in case of a debts default, i.e. the conditions for repayment and the consequences for what happens if the debtor states cannot repay. It could have been interesting to compare the terms of the loan offered to Sri Lanka against the terms offered to Venezuela, to analyze whether a preferential treatment was offered by China to certain countries from the get-go, especially knowing that the payback agreements with Venezuela involve oil shipment and not cash transactions.

In addition, these terms could have been compared to other terms offered by other lender states and international institutions. This comparison will allow checking whether China offers lenient unconditional loans to any states that request them without any proper due diligence nor feasibility study, and in return offer unfavourable terms, e.g. high-interest rate and severe defaulting terms, rendering these agreements unfavourable to the debtors and favourable to China

The absence of such empirical material can create a loophole in the analysis as it can be argued that China was contractually entitled to claim a majority stake in the Hambantota port in case of payments default. Moreover, it was reported in the media that the lease agreement between Sri Lanka and China, which also was not made public, forbid the use of the Hambantota port for military purposes; however, this claim also could not be substantiated. Would such material been available, additional empirical methods could have been employed, e.g. a more extensive Documents analysis could have been conducted, which can increase the validity of the findings.

Areas for future research

Future research of the same topic can enrich academic knowledge and provide further evidence to understand the behaviour of China. It is especially interesting to conduct similar subsequent research on the behaviour of China toward Sri Lanka and Venezuela in the near future. Especially knowing that a change of power occurred again recently in Sri Lanka with the current Presidency of Gotabaya Rajapaksa, the older brother of previous President Mahinda Rajapaksa; and in the event of new presidential elections in Venezuela that might yield a new president from the current opposition in Venezuela succeeding President Maduro. Such research can further confirm or dispute the findings of this research. Moreover, this research is characterized by a small N number. It is interesting to the study of China's behaviour using a bigger N number or even different debtors in distress. These debtors in danger of defaulting on China's debts are identified by Fernholz (2018) to be: Djibouti, Tajikistan, Kyrgyzstan, Laos, Maldives, Mongolia, Pakistan, and Montenegro. Also, a more recent article written in the Wall Street Journal, cited Zambian officials saying that the government is considering offering mining assets in the country to China in return of debt relief (Parkinson et al., 2020). Such research can supplement or contradict the findings of this research, which will enable the academic community and beyond to have a broader, more defined idea of China's behaviour toward its debtors. Further research can employ other theories relevant to the topic than the ones used to conduct this research, namely, Neo-mercantilism and post-colonialism, these theories are currently underrepresented in the field of IR, and it will be interesting to see the additions

they might introduce to the understanding of China's behaviour. Finally, future research can perform a comparative analysis study between China and other global lenders to check whether their practices and behaviour differ from the ones of China.

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