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CHINA COMPLETES ARTIFICIAL ISLAND OFF SRI LANKA
China has finished a massive artificial island off the coast of Sri Lanka's capital, Colombo, that the country hopes will become a futuristic business hub. Billed as Port City Colombo, last week the reclaimed land off the coast of Sri Lanka's largest city officially became part of the country. China provided $1.4 billion in equity investment to dredge the sea and build the island, making it Sri Lanka's largest ever FDI project and distinct from the billions in Chinese loans that have flowed into various port, airport, and highway projects. The project began in September 2014 under President (now Prime Minister) Mahinda Rajapaksa. Sri Lanka's newly elected, pro-China government, headed by President Gotabaya Rajapaksa, is preparing to create several laws that will further advance China's financial and commercial investments in the country. (*Nikkei Review*, December 12, 2019)

LAOS SEEKS CHINESE INVESTMENT AND TOURISTS AMID FLURRY OF SEZs
So far, 160 Chinese companies have put over $1.5 billion into Laos' 14 special economic zones (SEZs), with tens of billions more set to follow. This month, the country's Minister of Industries and Commerce, Khemmani Pholsena, met with officials in Yunnan and inked a number of agreements, including one for an economic corridor across the border in Boten, where Chinese developers are being given 90-year leases. The Yunnan Hai Cheng Industrial Group has broken ground on a $10 billion SEZ in in the mountainous region, to include hotels, shopping malls, restaurants and entertainment centers for Chinese tourists. When it is finished in 2025, the $10 billion Champasak SEZ along the Cambodian border will be Laos' largest, offering more than thirty 5-star hotels. To bring people in from Yunnan, Vientiane has also borrowed funds from Beijing to build a $6 billion high-speed train. Chinese visitors to Laos doubled from 400,000 in 2014 to 800,000 in 2018. The IMF has warned that Laos' "debt distress remains elevated." (*Nikkei Review*, December 23, 2019)

CHINA'S CAMBODIAN PORT AND AIRSTRIP STIRS SUSPICIONS ABOUT PLA PLANS
On December 9th, the U.S. Treasury Department placed sanctions on Cambodia's former military chief of staff, General Kun Kim, and his family for profiting from dealings with a "China state-owned entity" (a.k.a. the Union Development Group) and for having used "soldiers to intimidate, demolish and clear out land." When finished next year, Dara Sakor International Airport will have a 10,500-foot runway – the country's longest – and a deep-sea port that will host 10,000-ton ships. The shadowy Union Development Group holds the 99-year lease on the 110,000-acre concession, which it acquired without an open bidding process, and where it was exempted from lease payments for a decade. Zhang Gaoli, then a member of the politburo standing committee, attended the Dara Sakor signing ceremony in 2008.

Pentagon spokesman Lt. Col. Dave Eastburn said: "We are concerned that the runway and port facilities at Dara Sakor are being constructed on a scale that would be useful for military purposes and which greatly exceed current and projected infrastructure needs for commercial activity. Any steps by the Cambodian government to invite a foreign military presence would disturb peace and stability in Southeast Asia." For his part, Cambodian Prime Minister Hun Sen denies that the PLA set up shop in his country. "There will be no Chinese military in Cambodia, none at all, and to say that is a fabrication. Maybe the white people want to hold Cambodia back by stopping us from developing our economy," a Cambodian government spokesman has asserted. (*New York Times*, December 23, 2019)

CHINA'S "NINE-DASH LINE" CLAIM "RIDICULOUS": MALAYSIA FM
Malaysia has filed a submission with the United Nations questioning China's "nine-dash line" claim over the entire South China Sea, officially seeking clarity regarding the limits of its continental shelf. Malaysian Minister of Foreign Affairs Saifuddin Abdullah said that Kuala Lumpur has the "sovereign right to claim whatever that is there that is within our waters. It is a claim that we have made, and we will defend our claim. For China to claim that the whole of South China Sea belongs to China, I think that is ridiculous." In 2016, the Philippines successfully challenged China's territorial claims at a UN tribunal. (Al-Jazeera, December 21, 2019)

BEIJING''S SUPPORT FOR MICRONESIA MAY HARM U.S. SECURITY LINKS

China's has been channeling funding to Micronesia's Chuuk state, which will vote in March in an independence referendum. Home to fewer than 50,000 people, Chuuk is home to one of the region's deepest and most strategically appealing lagoons. With at least $50 million in support from Beijing, the China Railway Construction Corp. will build roads in Chuuk and will also fund construction of a government complex. Chuuk is home to one of the deepest lagoons in the Pacific, making it strategically valuable for military operations and submarine navigation. Should it vote to separate from Micronesia, Chuuk's new leaders could shrink the U.S. navy's freedom to operate and open access to other partners, like China. (*South China Morning Pos*t, December 23, 2019)

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