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The international expansion of Chinese companies and their increasing influence on China's foreign policy is eroding a longstanding principle of Chinese diplomacy, noninterference in the internal affairs of other countries. The global business activities of Chinese firms are heightening domestic and international pressures on the Chinese government to protect Chinese assets and citizens abroad and to help resolve international crises. My remarks today will focus on four ways in which the cross-border deals of Chinese firms, especially China's national oil companies and China Development Bank, have prompted the Chinese government to move away from the principle of noninterference.

First, the global activities of Chinese companies are spurring the Chinese government to substantially increase its efforts to protect Chinese citizens abroad.

The expansion of Chinese companies around the world has increased the number of Chinese citizens working overseas, including in countries with elevated levels of political risk. The number of Chinese workers abroad is estimated to have increased from 3.5 million in 2005 to 5.5 million today.[1] This has prompted China's foreign policy establishment to step up its efforts to ensure the safety of Chinese citizens overseas.

The evacuation of nearly 36,000 Chinese citizens from Libya, where Chinese workers were attacked and Chinese projects looted, is the most prominent example of this phenomenon. It was the largest and most complicated overseas evacuation of Chinese citizens in the history of the People's Republic of China. The evacuation was also noteworthy because it involved military deployment beyond China's borders. The government diverted a naval frigate from anti-piracy patrols in the Gulf of Aden and dispatched four military aircraft to participate in the evacuation.

The Libya evacuation underscores the Chinese government's enhanced ability to protect its nationals abroad. The prominent coverage of the evacuation in the Chinese media was probably aimed in part at demonstrating to the Chinese public, which expects its government to take care of compatriots working overseas, that Beijing has improved its crisis management skills with respect to ensuring the safety the Chinese people. Indeed, the swift and efficient rescue of Chinese citizens in Libya stands in contrast to the government's more tepid responses to previous situations in which Chinese nationals have found themselves in harm's way, such as when

[1] "Libya a reminder that citizens must come first," *South China Morning Post,* March 4, 2011.

Chinese oil workers were kidnapped and killed in Ethiopia in 2007. That response triggered criticisms from Chinese internet users, some of whom urged Beijing to dispatch the military to defend China's interests abroad.[2]

Second, the expanding global business portfolios of Chinese companies are prompting Beijing to seek to influence economic policies in other countries to protect investments made by Chinese firms and to ensure that loans extended by Chinese banks are repaid.

China Development Bank's loans to Venezuela are a case in point. In 2010, China Development Bank agreed to extend two lines of credit totaling $20.6 billion to the Venezuelan government which are secured by deliveries of oil to China National Petroleum Corporation. The bank's efforts to ensure repayment of its loans involve two noteworthy endeavors to shape Venezuela's economic policies and decisions.

First, in May 2010, a Chinese delegation comprised of more than 30 representatives of government bodies and state-owned enterprises spent eighteen days in Venezuela, where they drafted plans to help Caracas improve its economy. The plans covered issues including the achievement of price stability, improving the investment climate, reforming the exchange rate and developing selected industries. The healthier the Venezuelan economy, the more likely Venezuela will be able to repay its loans.

Second, China Development Bank is playing an active role in determining Venezuela's allocation decisions. Projects funded by this line of credit require the bank's approval. China Development Bank probably wants to ensure that its loans are used to finance projects -- such as the construction of housing and power plants -- that will be perceived as benefitting the country of Venezuela as a whole and not just the administration of President Hugo Chavez. Chinese government officials and business leaders clearly calculate that the focus on such projects may also ensure that if China Development Bank is still owed money after Chavez leaves office, his successor will continue to repay the loans.[3]

Third, China Development Bank's cross-border deals provide Beijing with financial leverage over distressed borrowers to advance other Chinese interests.

This is especially true for Venezuela and Turkmenistan, where China Development Bank has leveraged its loans to advance other Chinese foreign policy objectives, including supporting the international use of Chinese currency and enhancing energy supply security.

In the case of Venezuela, China Development Bank has taken advantage of its status as Venezuela's largest foreign creditor to further the Chinese government's goal of promoting greater international use of the renminbi. More than half of the $20.6 billion loan from China

[2] Edward Cody, "China Expansion Puts Workers in Harms Way; Attack on Ethiopian Oil Fields Highlights Political Perils of Pursuing Resources Abroad," *Washington Post*, April 26, 2007; and Rowan Callick, "China's African venture is risky business," *The Australian*, April 30, 2007.
[3] For more information on China Development Bank's loans to Venezuela, see Erica Downs, *Inside China, Inc: China Development Bank's Cross-Border Energy Deals*, John L. Thornton China Center Monograph Series, No. 3 (Brookings Institution, March 2011).

Development Bank ($10.6 billion) is denominated in Chinese currency, which locks Venezuela into spending the money on Chinese suppliers of goods and services. China Development Bank was able to structure its loan in this way because Venezuela's high level of sovereign risk makes accessing international capital markets difficult, and President Hugo Chavez has foresworn borrowing from the International Monetary Fund because the conditionalities imposed by the IMF would likely cause his government to fall.

In the case of Turkmenistan, China Development Bank has leveraged its role as a provider of emergency funds to enhance China's energy supply security. In 2009, the bank agreed to lend $4 billion after an explosion on the pipeline that delivers most of Turkmenistan's natural gas exports to Russia. Deliveries did not resume for nine months, depriving Ashgabat of a major source of revenue. The loan from China Development Bank is being used to finance the development of South Yolotan, one of the world's five largest natural gas fields. Not only did the loan help China Natural Petroleum Corporation secure a role in the development of South Yolotan, but some of the field's natural gas will flow through the Central Asia Natural Gas Pipeline to China.

Fourth, the growing overseas activities of Chinese firms are contributing to increasing international pressure on Beijing to assume global responsibilities commensurate with China's global economic interests.

Two of the most high-profile examples involve Sudan and Iran. In the case of Sudan, Washington and other world capitals urged Beijing to use whatever influence it derived from China National Petroleum Corporation's substantial investments in Sudan to press Khartoum to stop the violence in Darfur. In the case of Iran, Washington and other world capitals have lobbied Beijing to prioritize curbing Tehran's nuclear ambitions over the expansion of China's national oil companies in Iran.

In both cases, international pressure appears to have modestly influenced China's diplomacy. With respect to Sudan, in 2006-2007, Beijing helped to persuade Khartoum to accept a hybrid African Union-United Nations peacekeeping force in Darfur. With respect to Iran, in 2010, China voted in support of United Nations Security Council Resolution 1929, which contains a fairly comprehensive arms ban and provided a platform for the implementation of more robust unilateral sanctions against Iran by the United States, the European Union, Japan and other countries. More recently, China's national oil companies appear to be following Washington's warning not to "backfill" oil and natural gas exploration and production projects abandoned by European and other firms.

In conclusion, the international expansion of Chinese companies is redefining China's national interests and the actions Beijing takes to protect them. Noninterference in the internal affairs of other countries is no longer an option for the Chinese government when events in other countries threaten the assets of Chinese companies and the lives of Chinese citizens. Indeed, the Libya evacuation is likely to elevate expectations within China that the Chinese government will similarly protect Chinese workers abroad in future crises. Moreover, as Chinese firms continue to expand overseas, Beijing is also likely to find itself under greater international pressure to influence the policies of countries in which Chinese firms are invested to help address global challenges involving these countries.