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China's Belt and Road Initiative and the Problem with Geoeconomics: Toward a More Thoughtful and Competitive U.S. Response

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The conventional wisdom guiding U.S. responses to China's foreign economic policies, including its Belt and Road Initiative (BRI), is that China is effectively using state-backed economic policies and tools to gain geostrategic leverage at America's expense. Such a zero-sum framework reflects the increasing popularity of the concept of "geoeconomics," which assumes an all-knowing and all-powerful China capable of formulating and implementing its foreign economic policies to gain unchallenged power and influence over its smaller and poorer neighbors in Southeast Asia as well as over supposedly weak or gullible developing countries in regions like Africa and Latin America. Such a misguided assessment has led the U.S. to overestimate China's abilities to translate its growing trade, investment, and financial ties to Southeast Asia and other developing country regions into clear Chinese dominance at America's expense. At the same time, the dominant, zero-sum "geoeconomic" paradigm for understanding China's BRI and other foreign economic policies has underestimated the appeal of China's "development"-themed foreign economic policies in developing countries where leaders use and sometimes abuse China's commercial outreach for their own interests. A more accurate understanding of the limits as well as appeal of China's foreign economic policies in developing countries should lead the U.S. government, civil society, and business to three different types of responses: 1) helping developing countries to develop their own capacity to engage with China on their own terms and in their own interests, 2) working with allies and partners in Asia and Europe to create more sustainable, alternative approaches to financing and building transport, energy, and digital infrastructure, and 3) creating and implementing a new, self-confident "prosperity agenda" that will appeal to developing countries in Asia, Latin America, and Africa— and maybe even to China itself.

A key piece of conventional wisdom guiding U.S. foreign policy in recent years is that China's state-led foreign economic policies are effectively displacing American power, wealth, and influence around the world. Perhaps more than any other element of Chinese foreign economic policy, its Belt and Road Initiative (BRI) – and the vast resources it marshals – has become a symbol to American policymakers and pundits of China's plans to ensnare its neighbors, and countries in regions as far afield as Africa, Latin America, and Europe, in China's web of influence and interdependence. The idea that China's seemingly boundless scheme to finance and build transport, energy, and digital infrastructure abroad is really a Trojan horse meant to trap smaller and weaker countries in unsustainable debt relationships and to displace American economic and political influence has become a cornerstone of the American pushback against China's growing global influence and against the BRI in particular. Such a diagnosis reflects a broader and deeper assessment that China is effectively using state-backed economic policies and tools to gain geostrategic leverage at America's expense, especially among smaller and poorer countries in China's own Asian neighborhood.

The problem with this zero-sum conventional wisdom guiding American understanding and response to China's foreign economic policies, including the BRI, in regions like Southeast Asia, Africa, and Latin America is that it is based on misguided assumptions and partial, or simply flawed, empirical analysis. On the one hand, recent American assessments and responses to the BRI and China's growing trade, investment, and financial ties to developing countries in these regions have *overestimated* China's capacity to smoothly leverage its growing economic ties to countries in these regions into clear Chinese dominance and at America's expense. On the other hand, the U.S. has *underestimated* the scale of the challenge represented by China's broader efforts to be seen as the preeminent global engine and leader of "development", which is itself part of China's broader developing country economic diplomacy. Specifically, by portraying the BRI as a powerful but malignant symbol of China's efforts at regional and global dominance, American policymakers have failed to understand the challenges and limits of China's ability to turn its rapidly expanding trade, investment, and financial ties into the kind of power and influence that readily allow it to achieve its economic and geostrategic ambitions. At the same time, the U.S. has misjudged the historical and geographic scope and potential appeal of China's "development"-focused foreign economic policies.

A more effective set of U.S. policies and competitive responses rests on a more complete and accurate assessment of the challenges presented by China's ambitious, but flawed, foreign economic strategies in regions like the Indo-Pacific, Africa, and Latin America. In short, U.S. policymakers need a more accurate and comprehensive understanding of the capabilities as well as limitations of China's foreign economic policies in the developing world. Moreover, rather than continuing to pursue a foreign policy response to China's expanding economic and diplomatic ties to developing country regions that largely seeks to preach to supposedly naïve and passive host country officials about the threats of China as a bad actor, the U.S. should promote its own positive agenda and vision for prosperity and well-being in the developing world and beyond. It can do so by helping developing countries, especially in regions of strategic importance to the U.S., like Southeast Asia, to build their own capacity to deal with the challenges and opportunities presented by deeper economic interdependence with China. Such efforts should also include a greater commitment to work with allies and partners in Asia and Europe to offer alternatives to China's own "development"-themed connectivity and infrastructure rhetoric and policies. American civil society and researchers should also play an expanded role in understanding the limits but also the strategic challenges of China's development-focused foreign economic policies while also contributing to a more self-confident vision of America's role in Asia and beyond.

How Did We Get Here? The BRI and the Rise of "Geoeconomics"

Today's predominant view of the BRI as the embodiment of China's power-projecting foreign economic strategy has roots that predate the 2013 rollout of the BRI itself. If prior to the 2008-09 international financial crisis there were vigorous debates inside and outside of China about the state's proper role in governing the economy, China's massive stimulus program, renascent state-led investment, and deepening support of state-owned enterprises underpinned an emerging consensus that China was Exhibit A of a growing global trend of "state capitalism."[1] Xi Jinping's rise to power as the head of the Communist Party and the government in 2012-2013, and the subsequent sense that he had rejected Li Keqiang's more liberal, reform-oriented "China 2030" economic plan in favor of what became the highly controversial "China 2025" industrial strategy, further reinforced the sense of China's definitive turn toward statism in domestic economic policy.[2]

On the foreign policy front, Xi Jinping's personal sponsorship of the BRI as his signature foreign policy to finance and build infrastructure along expansive maritime and continental routes from Asia to Africa to Europe soon became the public face of China's assertive state capitalism. This perception has traction in no small part because the BRI featured dominant roles for China's powerful policy banks and SOEs in state-to-state transport, energy, and digital infrastructure deals. Even though the BRI itself involved the rebranding of many elements of China's "Going Out" policies that saw the rapid expansion of Chinese overseas foreign direct investment and lending in the early 2000s, a process that already involved a prominent role for

[1] Ian Bremmer, "State Capitalism Comes of Age: The End of the Free Market?" *Foreign Affairs*, 2009, https://www.foreignaffairs.com/articles/united-states/2009-05-01/state-capitalism-comes-age.

[2] Max J. Zenglein and Anna Holzman, "Evolving Made in China 2025: China's industrial policy in the quest for global tech leadership," Mercator Institute for China Studies (MERICS) Paper on China, #8, https://merics.org/sites/default/files/2020-04/MPOC_8_MadeinChina_2025_final_3.pdf.

Chinese state-owned firms and banks, it is the BRI itself that has captured the attention of those most anxious about the global impact of China's state capitalism.

Yet even before the BRI came to be seen in Washington as the symbolic bogeyman of Chinese global, state-capitalist power play, there was already a rising chorus of concern about China's rising global economic power. Starting around 2015, a number of U.S. foreign policy think tank reports emerged focusing on concerns, often based on sparse evidence, that the rapid growth of China's economy fortified China's growing power and influence – and the loss of America's – especially in regions like Southeast Asia. For example, in a 2015 report titled "Revising U.S. Grand Strategy Toward China," Robert Blackwill and Ashley Tellis argue that China was quietly and effectively building economic leverage over its Southeast Asian neighbors and therefore effecting the "the pacification of its extended geographic periphery."[3] Blackwill, along with his coauthor, Jennifer Harris, extended this line of argument in their 2016 book, *War by Other Means: Geoeconomics and Statecraft*, in which they lamented America's lost ability to effectively use economic instruments to achieve geopolitical ends; China, by contrast, was portrayed as nearly perfecting these "geoeconomic" arts.[4]

In the years just prior to the 2016 U.S. presidential election, the concept of "geoeconomics" picked up traction.[5] Even if authors failed to carefully define what they meant by geoeconomics, a common theme of reports featuring the concept was the assertion that China, because of its growing economic size and manipulation of the levers of its state capitalist system,

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[3] Robert Blackwill and Ashley Tellis, *Revising U.S. Grand Strategy Toward China,* The Council on Foreign Relations, April 1, 2015.
[4] Robert Blackwill and Jennifer Harris, *War by Other Means: Geoeconomics and Statecraft,* (Cambridge, MA: Harvard University Press, 2016).
[5] Mark Leonard, the director of the European Council on Foreign Relations, was an early proponent of the concept of geoeconomics and created a working group at the World Economic Forum 2014-2016 to highlight the importance of the concept. In 2016, the working group issued a report called "Geo-economics with Chinese Characteristics: How China's economic might is reshaping world politics," in which deeply conflicting and mostly superficial accounts were given, almost none of which clarified what was meant by China's "economic might" or how or if China was reshaping world politics with such might.

could increasingly and effectively ensure, protect, or enhance its own interests over those of its weaker and smaller neighbors— and at the expense of U.S. interests. Even prior to the start of the Trump administration, the idea of geoeconomics was increasingly applied to studies of the BRI, underpinning arguments that the BRI was a kind of commercial Trojan horse for China's projection of power, influence, and its own political model. Even when not focused on the BRI per se, related geoeconomics claims hold that China is pursuing classic "mercantilist" policies. For instance, in a 2019 report for the National Bureau of Asian Research, the authors argue that "China's rulers are adherents of what can best be described as 'mercantilist Leninism'" and that "Like the mercantilists of seventeenth and eighteenth century Europe, China's leaders do not regard the aim of economic activity as being solely or even primarily to create wealth or promote prosperity for its own sake. Rather, the purpose of trade and commerce is to generate power, enhancing the ability of those who wield it to shape the behavior of others."[6] Such assertions about China's inherent propensity and ability to leverage wealth into power are part of a broader trend (especially among analysts with security rather than economics backgrounds) of raising alarm about broader strategic and security implications of China's foreign economic and commercial behavior.[7] Such analysis and assumptions about China as an omniscient and omnipotent mercantilist have increasingly fed into the kinds of zero-sum calculations that have come to dominate many of the Trump administration's policies toward China's BRI and in particular its engagement with regions like Southeast Asia, Africa, and Latin America.

[6] Charles W. Boustany and Aaron L. Friedberg, "Answering China's Economic Challenge: Preserving Power, Enhancing Prosperity," The National Bureau of Asian Research, NBR Special Report #76, 2019.

[7] This emphasis on "mercantilism" to describe China's effective use of geoeconomic strategies and tools has some connections to a more realist tradition of the academic study of "international political economy" (see Gilpin 1987). Yet most commentary about China as an effective practitioner of geoeconomics fails to acknowledge that rich literature or to take seriously that states may face limits on their abilities to effectively leverage wealth into geostrategic power.

Under the Trump administration, zero-sum geoeconomic frameworks have come to dominate interpretations of and policy responses to the BRI and more generally to China's foreign economic policies in developing regions. Both Secretary of State Tillerson's and Pompeo's statements about China's presence in regions like Latin America and Africa have emphasized China's manipulation of economic instruments to enrich and empower China at the expense of countries in those regions. The clearest example of the elevation of geoeconomics thinking and assumptions in the Trump administration has been the idea of "debt-trap diplomacy" and "predatory lending." With Sri Lanka as the clear and deeply flawed example,[8] the Trump administration has held up troubled Chinese debt-for-infrastructure deals as Exhibit A in China's zero-sum, even neo-colonial, plans to entrap developing countries along the BRI by wrapping too-good-to-be-true deals in "win-win" propaganda while all along intending to extract economic and political concessions from their unwitting counterparts. As former National Security Advisor John Bolton remarked in late 2018, among China's geoeconomic tools is the "strategic use of debt to hold states in Africa captive to Beijing's wishes and demands," all with the intent of gaining a "competitive advantage over the United States."[9] Such arguments exemplify the predominance of geoeconomic frameworks and assumptions about how the BRI is, in reality, a well-crafted Chinese plot to ensure Chinese interests and power, while undermining America's, especially in developing country regions.[10]

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[8] Deborah Brautigam, "A critical look at Chinese 'debt-trap diplomacy': the rise of a meme," *Area Development and Policy* 5, no. 1 (2020): 1-14; Matt Ferchen and Anarkalee Perera, "Why Unsustainable Chinese Infrastructure Deals are a Two-Way Street," Carnegie-Tsinghua Center for Global Policy, 2019, https://carnegietsinghua.org/2019/07/23/why-unsustainable-chinese-infrastructure-deals-are-two-way-street-pub-79548; Meg Rithmire and Li Yihao, "Chinese Infrastructure Investments in Sri Lanka: A Pearl or a Teardrop on the Belt and Road?" Harvard Business School Case 719-046, 2019.

[9] Mark Landler and Edward Wong, "Bolton Outlines a Strategy for Africa That's Really About Countering China," *The New York Times*, December 13, 2018, https://www.nytimes.com/2018/12/13/us/politics/john-bolton-africa-china.html.

[10] There is a strong resonance in the geoeconomics framework's reliance on the language of "mercantilism" and 1980s discussions about Japan's domestic and foreign economic policies.

What's the Problem? Misdiagnosing the Strategic Challenge

The geoeconomics perspective clearly represents the zero-sum zeitgeist behind the dominant conviction that China's state capitalist domestic and foreign economic policies are an existential threat to American interests and global leadership. Hardwired into the geoeconomics perspective of the BRI and China's foreign economic policies more generally (especially in developing country regions like Southeast Asia, Africa and Latin America) is that China is a kind of all-knowing and all-powerful geostrategic actor with an effective long-term plan for regional and global hegemony.[11] For example, when viewed through a geoeconomics lens, Chinese loans-for-infrastructure deals that go awry, such as in the now-infamous case of Sri Lanka's Hambantota port, are cynically viewed as part of a Chinese plot to gain economic and political leverage (and potentially a naval base) over small and impotent countries in China's periphery and beyond. While such an explanation is plausible, far too much of the geoeconomics reasoning, criticism, and subsequent policy responses have rested on minimal or flawed evidence for such assumptions.

Quite simply, the geoeconomics framework and its embedded assumptions too often get the story wrong; it both misdiagnoses key weaknesses, and at the same time discounts key sources of attraction, of the BRI and China's broader development-themed foreign economic policies in a significant number of Asian, African, and Latin American countries. It's not that China cannot or is not able to leverage economic interdependence or use commercial tools for expanded political leverage and influence abroad; it's that proponents of geoeconomics too often fail to specify under what conditions China is and is not able to do so. The geoeconomics paradigm has therefore been a poor guide for American policy and broader strategic responses to

[11] Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower*, (New York: St. Martin's Griffin, 2016).

China's BRI and its foreign economic policies in key developing country regions. A better understanding of these weaknesses and attractions, including the too-often ignored role and agency of host countries, is necessary if the U.S. is to compete by offering plausible alternatives to China's value proposition or working with China to tackle common regional and global challenges.

Development and China's Developing Country Diplomacy

Understanding the weaknesses as well as some of the appeal of China's foreign economic policies, including the BRI, in many developing country or emerging market regions requires first an understanding of the logic of the story China tells itself and others about what it's doing and why. This story begins and ends with the idea of "development" as a panacea for China's domestic and foreign policy challenges. When foreign minister Wang Yi said in a speech at the UN in September 2019 that "development is the master key to solving all problems,"[12] or when Xi Jinping claimed in 2014 that development is the basis for regional security in Asia,[13] they were expressing an almost religious belief in the power of the Communist Party and China-led "development." Geoeconomics portrayals of the BRI as a commercial Trojan horse for China's power projection neglects that it is a continuation and an extension of China's broader-based "developing country diplomacy." At the core of China's foreign economic policy across regions is the proposition that commercial engagement with China through trade, investment, and financial interdependence will underpin and energize "development" opportunities for all involved.

[12] Wang Yi, "Wang Yi: Development Is the Master Key to Solving All Problems," Ministry of Foreign Affairs the PRC, 2019, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1704158.shtml.
[13] Xi Jinping, "Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia," 2014, http://www.china.org.cn/world/2014-05/28/content_32511846.htm.

Geoeconomics arguments about China's state-capitalist, zero-sum master plans generally do not account for the context in which China is trying to pitch its development-focused foreign economic policies, particularly in developing countries where Chinese government and business officials think those policies will find the most fertile ground. Going back to at least the 1950s, China has attempted to portray itself in solidarity with, and as a leader of, the post-colonial "third world"— or what Chinese leaders today portray as developing countries or the "Global South."[14] The BRI stems largely from China's revamped approach to developing country relations, especially with Africa and Latin America, since the early 2000s. In Asia, especially in the Mekong region and Central Asia, China has equally emphasized the "developmental" aspects of its commercial engagement, including through the developmental potential of the infrastructure-themed BRI. Yet whether in Asia, Africa, or Latin America, China's conception of "development" has much less to do with "aid" in a standard OECD "official development aid (ODA)" sense than with business through almost any form of trade, investment, or financial tie.[15]

American cynicism about Chinese claims that it is still a "developing country" has lead to misjudgments about how China's stubborn commitment to its identity and role as a developing country underpins both the appeal and the flaws embedded in China's development-themed foreign economic policies.[16] China's BRI doubles down on the development-solves-all-problems logic and focuses on the developmental potential of infrastructure and "connectivity" more generally. Through the BRI, and international economic engagement more broadly, China has also increasingly and explicitly claimed that key aspects of its domestic development model,

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[14] Joshua Eisenmann and Eric Heginbotham, *China Steps Out: Beijing's Major Power Engagement with the Developing World*, (New York: Routledge, 2018).
[15] Justin Yifu Lin and Wang Yan, *Going Beyond Aid: Development Cooperation for Structural Transformation*, (Cambridge: Cambridge University Press, 2017).
[16] White House, "United States Strategic Approach to the People's Republic of China," 2020, https://www.whitehouse.gov/wp-content/uploads/2020/05/U.S.-Strategic-Approach-to-The-Peoples-Republic-of-China-Report-5.20.20.pdf.

including building transport infrastructure or creating special economic zones (SEZs) for manufacturing and export, will also be good for other countries' development prospects. By quickly dismissing China's development-focused logic and rhetoric, the United States risks misunderstanding elements of the appeal of China's BRI, or at least commercial engagement in certain countries, but also of the very real weaknesses of China's idealistic, development-focused economic statecraft.

What Geoeconomics Misses: Weaknesses and Appeal

Geoeconomics portrayals of China's foreign economic policies, including the BRI, too often assume that China is able to effectively wield its growing trade, investment, and financial links into economic, political, and geostrategic leverage over its Southeast Asian neighbors and countries in other regions like Africa and Latin America. In fact, well before the introduction of the BRI, it was already clear that China's idealistic development-solves-everything propaganda was running up against a range of complicated realities in these regions. For example, the commodity boom of the early 2000s led to tensions over export dependency while Chinese investments in mining and energy resources sometimes created a backlash over harmful environmental and local community impacts. As China expanded loans-for-commodity and loans-for-infrastructure deals in resource-rich and other developing countries, often applying the BRI label to these after 2013, a growing set of concerns emerged about the financial sustainability of given loan arrangements. But close examination of some of the most infamous debt deals gone awry, including in Sri Lanka or Venezuela, highlighted the lack of careful risk assessment or prevalence of self-interested and corrupt behavior on the part of Chinese policy bank lenders. In other examples, including Chinese dam investments in Myanmar for example, Chinese government officials and SOE managers failed to consult with local communities and faced subsequent backlash and high-profile cancellation of the project. So, for reasons ranging from structural shifts in the global economy to Chinese hubris, ignorance, entrenched reliance and assumptions about the risk of state-to-state dealmaking, principal-agent problems, a propensity for illicit or corrupt dealmaking, and general disregard for careful economic and political risk assessment, China has sometimes found its own economic, political, and geostrategic interests undermined rather than strengthened.[17]

However, such a list of explanations and challenges would be incomplete without a greater emphasis on the role of host countries. The geoeconomics paradigm tends to focus solely on China's assumed prowess at turning economic ties and policy tools into power and leverage but ignores or discounts the role and agency of host countries and other actors. Well before the introduction of the BRI, it was already clear that Chinese efforts to frame its economic engagement with its Southeast Asian neighbors or with countries in Africa and Latin America as part of its commitment to development-enhancing, "South-South" ties were up against important sub-regional and country-specific differences. For example, even if China was able to build close, multi-billion dollar loans-for-oil ties with Hugo Chavez's Venezuela, it was unable to do anything of the kind next door in Colombia. Sub-regional variations have long been all the more acute in Southeast Asia where China's efforts to smooth over the complexities and difficulties of deeply-embedded historical and geographic linkages and grievances with talk of a development-driven "community of common destiny" have been met with mixed reactions. Even when simply looking at China's BRI-type transport and energy infrastructure deals in Southeast or South Asia,

[17] Andrew Batson, "The Belt and Road is about domestic interest groups, not development." Andrew Batson's Blog, 2019, https://andrewbatson.com/2019/05/02/the-belt-and-road-is-about-domestic-interest-groups-not-development/; Chinese researchers focused on the economic and strategic benefits as well as risks of the BRI also note the many liabilities attendant on the BRI, but don't necessarily attribute them to the same causes I do here. See Wuthnow (2017) for an in-depth overview of how Chinese strategists have viewed and debated the BRI and its effects on Chinese interests.

host governments and citizens have reacted in a wide range of ways to Chinese dealmaking efforts from quite open arms in places like Cambodia to a chillier reception in places like Vietnam.[18] In Myanmar and Pakistan, even where local and Chinese officials are willing to push forward massive transport and energy infrastructure "corridors," significant security and local community concerns have proven an obstacle to the completion of such projects.[19] There are, then, very real problems with some of China's financing and building of overseas infrastructure projects, but the reasons behind those problems and the implications for China, host countries, and the United States are generally quite different than the dominant geoeconomics approach leads us to understand.

And despite these problems and the broader challenges China faces in implementing its development-as-master-key approach to foreign economic ties to developing and emerging market countries, the U.S. is mistaken to discount the broader appeal of certain elements of China's development-themed foreign policies. The U.S. risks missing the greater strategic challenge by minimizing or discounting China's development-themed economic statecraft, rhetoric, and commercial engagement because, at the end of the day, the emphasis on development has a particular resonance in many countries. If for the U.S. "development" is about rich countries providing "aid" or "assistance" to poorer countries, then for many countries in Asia, Africa, Latin America, and beyond, what they see and hear from China when it talks about development is a message about a kind of economic growth agenda, backed by expanded trade, investment, and financial ties presented by a country that has itself rapidly become wealthier and more powerful. For many countries, especially China's neighbors, deeper economic engagement

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[18] Murray Hiebert, *Under Beijing's Shadow: Southeast Asia's China Challenge*, (Washington, DC: Center for Strategic & International Studies, 2020); Tom Miller, *China's Asian Dream*, (London: Zed Books, 2017).

[19] Jason Tower, "Conflict Dynamics and the Belt and Road Initiative: Ignoring Conflict on the 'Road to Peace'". Brot für die Welt, Analysis 97, 2020, https://www.brot-fuer-die-welt.de/fileadmin/mediapool/blogs/Kruckow_Caroline/Analyse97-en-v08-Web.pdf.

with a large range of Chinese actors is not an either-or choice, but a fact of life with which government, business, and society must deal. The end result is that for many countries, including those that are involved in the BRI, the real but often vexed nature of ever-deeper economic ties to China has led to a cycle in which infrastructure and other loan and investment deals are agreed, problems invariably emerge, and then renegotiations follow.

A Better Way Forward

Moving past the shortcomings of the dominant geoeconomic approach that takes for granted China's effective, power-maximizing foreign economic strategies requires a better understanding of the principle problems, but also the potential appeal, of China's development-focused foreign economic policies like the BRI. The response of the Trump administration to China's expanding economic and political role, including through the BRI, in regions like Southeast Asia, Africa, and Latin America has been to declare that China is a bad actor with an effective strategy to entrap weak and naïve countries in China's economic and diplomatic orbit. The U.S. stance has been seen in many countries in these regions as little more than hectoring without an offer of viable alternatives. Certainly, some countries in Southeast Asia in particular are keen to tap into possible benefits of enhanced infrastructure and investment competition resulting from growing U.S.-China rivalry, but they and many other countries in the world have no desire to choose sides and are wary of being unintended victims of U.S.-China tensions.[20]

Even though the dominant geoeconomics mindset has lent itself to a zero-sum approach focused on convincing government leaders and citizens in Asia, Latin America, and Africa of the harmful intentions and impact of the BRI and China's overall influence, there have been some

[20] Hsien Loong Lee, Keynote Address, 18th Annual Security Summit, the IISS Shangri-La Dialogue, 2019, https://www.pmo.gov.sg/Newsroom/PM-Lee-Hsien-Loong-at-the-IISS-Shangri-La-Dialogue-2019.

alternative efforts to rethink more competitive and effective U.S. responses. Those responses have in part been a tacit recognition of some of the limits and consequences of China's own policies and problems related to the environmental, debt, and commercial and social sustainability of infrastructure development. The Better Utilization of Investments Leading to Development (BUILD) Act and the Blue Dot Network are at least two examples that focus on such pro-active U.S. responses to China's own "connectivity" efforts. In particular, the BUILD Act of 2018 is primarily focused on leveraging the newly created International Development Finance Corporation (IDFC) to incentivize sources of private finance to invest in infrastructure projects, especially in developing countries. While the nascent Blue Dot Network, as a potential complement to the IDFC, is intended to focus on "quality infrastructure" standards in a way that helps identify and reduce risks for potential private investors in infrastructure projects (and that stands as a clear alternative to China's lower-quality options).[21] While both efforts are at least potentially useful tools of American economic statecraft that are not primarily punitive and zero-sum, they are still largely untested, too low profile, and under-funded to actually compete with China at its own infrastructure-promotion game.

The next administration should continue to develop the BUILD and Blue Dot programs, but as Andrew Small of the German Marshall Fund has argued, "Despite the BUILD act, the Blue Dot Network, and related economic aspects of the Free and Open Indo-Pacific strategy, the United States continues to lag behind on the infrastructure and connectivity agenda that so many developing countries prioritize."[22] Therefore, such efforts need to be part of a much bolder and

[21] Matthew P. Goodman, Daniel F. Runde, Jonathan E. Hillman, and Sundar R. Ramanujam, "Taking the Higher Road: U.S. Global Infrastructure Strategy One Year Later," CSIS Commentary, 2020, https://www.csis.org/analysis/taking-higher-road-us-global-infrastructure-strategy-one-year-later.

[22] Andrew Small, Testimony for hearing on "U.S.-China Relations in 2020: Enduring Problems and Emerging Challenges," U.S.-China Economic and Security Review Commission, 2020, https://www.uscc.gov/sites/default/files/2020-09/Small_Testimony.pdf.

more expansive set of policies that seek to 1) help developing countries increase their capacity to deal with China on their own terms, 2) work with allies and partners in Asia and Europe to provide constructive, competitive alternatives to growing developing country dependence on China while encouraging China to improve the sustainability of its own "connectivity" engagement, and 3) implement and effectively promote a self-confident, compelling and competitive prosperity agenda for the 21st century and beyond.

As countries in Southeast Asia, Africa and Latin America become more deeply embedded in trade, investment, and financial relations with China – and as they seek to balance the benefits and risks of that interdependence – the U.S. should expand its efforts to help countries build the capacity to ensure their own interests in their ties with China. Rather than relying on the bullying, sledge-hammer approach of decrying China's "predatory" lending or insisting that countries reject China's efforts to build transport, energy, or digital infrastructure, the U.S. should help countries develop their ability to negotiate deals that are a better fit for their own development needs. As China advances its development-promotion activities around the world, including through the BRI, some American diplomats have been listening and responding to local demands for such capacity-building efforts. The case of the Kyaukpyu port and special economic zone in Myanmar is one such example. In that case, U.S. officials responded to Myanmar government requests for technical capacity support in evaluating the financial and technical elements of the Chinese-financed port. The result was that, after renegotiations between Myanmar and Chinese government and business stakeholders, the original $7.2 billion budget was reduced to $1.6 billion.[23] At an even deeper and likely longer-lasting level, the U.S. also helped provide legal and technical expertise as Myanmar restructured its badly outdated IT

[23] Chan Mya Htwe, "Myanmar successfully renegotiates debt, ownership terms for Kyaukphyu," *Myanmar Times*, 2018, https://www.mmtimes.com/news/myanmar-successfully-renegotiates-debt-ownership-terms-kyaukphyu.html.

sector and regulatory framework. The U.S. should do more to help fill the demand for countries to build up their own knowledge and capacity to structure their relations with China in way that best aligns with their interests.

Countries will have different challenges in regards to their ties to China and varying appetites for official, public engagement with the U.S. government on such capacity-building measures, but the U.S. can also do more to encourage non-government capacity-building efforts. American researchers and civil society have a role in responding to developing country demands and an interest in better understanding and managing ties with China. For example, concerns about environmental, social, debt, and political repercussions of China-linked infrastructure projects are shared across regions like Southeast Asia, Latin America, and Africa, and yet there is next to no lesson sharing among experts, businesses, or officials across those regions. American academic and think tank researchers and philanthropic foundations are already beginning to respond to such challenges and demands, but far more should be done to facilitate lesson sharing and lesson learning. Even if the next U.S. administration does not take up the opportunity to respond to growing demand for building capacity for more effective engagement with China in developing countries, U.S. civil society, researchers, and businesses should seek ways to fill the gap.

At the same time, the U.S. should improve its own research capacities about the linkages between China's growing trade, investment, and financial ties to developing countries and its power and influence in those countries. As argued here, the geoeconomics framework that assumes that China can unproblematically achieve its interests in smaller and poorer countries in its neighborhood and beyond misconstrues reality. On the other hand, it is plausible and even likely that China will be able to more effectively use its commercial dependencies with developing and developed countries alike to effectively pursue its interests as it learns from past mistakes. In order to help build capacity elsewhere and to effectively work with allies on common challenges of working with an increasingly wealthy and influential China, the United States needs a deep and wide pool of experts who understand the linkages between China's wealth and power, including outcomes where China's foreign economic behavior and policies lead to mistakes and unintended consequences. As part of this process, the U.S. will to develop greater expertise about the mix of problems and appeal of Chinese initiatives like the BRI, and in particular the emerging cycle of "pushback, renegotiation, and learning" that is emerging around China's financing and building of infrastructure around the world.

A second area of emphasis for a more constructive and competitive U.S. approach that moves beyond zero-sum and do-it-alone responses to China's own development-focused foreign economic policies relies on closer and more targeted cooperation with allies and partners in Asia and Europe. In Asia, the U.S. should work more closely with Japan, including through Japan's role in the Asian Development Bank, on both the capacity-building agenda as well as efforts to offer alternative forms of infrastructure finance and environmentally and socially sustainable project implementation in Southeast Asia. As it stands, some countries in the region are already seeking to play the U.S., Japan, and China off against one another as they present alternative "connectivity" agendas, and the nascent Blue Dot Network on infrastructure standards already involves U.S.-Japan cooperation, but the U.S. and Japan can do far more to coordinate their efforts and to ensure that their own public diplomacy surrounding their alternatives to reliance on China is better known and understood.

Within the context of the Indo-Pacific strategy, the U.S. should also more carefully coordinate with countries like India as well as Singapore, both of which have their own insights, plans, and expertise in regional transport, energy, and digital connectivity. In addition, the U.S. should seek closer cooperation with the EU as it further develops its "Europe-Asia Connectivity Strategy."[24] The strategy is a nascent European response to the BRI in Eurasia, and while there has been coordination between European and American officials as the strategy is fleshed out, the EU and its member states are far more likely to be responsive to American efforts to find effective ways to cooperate on constructive "connectivity" responses than on a punitive agenda.

Working with allies in Europe and Asia will also be important when it comes to efforts to incentivize China's cooperation on tackling a range of global governance challenges such as climate, debt, and security issues that are linked to China's BRI. On the first of these two areas, China has claimed that it is committed to a "green BRI" and to addressing concerns about sustainable "development finance," yet the U.S. will need to step up its engagement with European and Asian allies if there is to be any realistic expectation of getting China to improve its practices and actively contribute to multilateral solutions. On climate generally – and on China's commitment to a "green BRI," which would entail moving away from financing and building coal-fired power plants – China is far more likely to fulfill its pledges if the U.S. and its European and Asian allies are on board. On improved development finance and debt, China's efforts to set up the "Multilateral Cooperation Center for Development Finance" (MCDF) at the AIIB (originally to be established at the World Bank) are seen as a no-go zone for many European governments. There are good reasons for skepticism about whether the MCDF is the right structure for improving China's role in infrastructure financing as part of the BRI or in general, but the U.S. far more likely to get traction on these issues by working cooperatively with European and Asian governments as well as through the multilateral Bretton Woods institutions

[24] European External Action Service (EEAS), "Connecting Europe and China: The EU Strategy," 2019, https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en.

and regional development banks. Lastly, on China's growing interest in the linkage between economic development and security issues in countries where its economic and diplomatic interests have grown, the U.S. needs to reengage with Asian and European allies, and in a dialogue with China, about the challenges and opportunities to address the complex development-security nexus in countries like Afghanistan, Myanmar, and Venezuela.

Finally, the most important challenge for the United States, and one that all of the above recommendations are ultimately dependent upon, is recommitting itself to a positive, self-confident, and competitive agenda for global prosperity and well-being. If China's attempts to create an image for itself as a leader and agent of "development" represents a flawed but ambitious economic growth agenda for many of China's Asian neighbors as well as for countries in regions like Africa and Latin America, then if the U.S. is serious about effective "strategic competition" with China, it demands a more compelling "prosperity agenda" of its own. In particular, the U.S. should commit to a renewed vision of prosperity, well-being, and effective governance that it pursues at home and promotes in countries where China's development-themed policies have gained traction. The United States must avoid the hubris and once-size-fits-all development paradigms that drove 1960s "modernization" efforts and the "Washington Consensus," but it should not shirk from bold ideas about what "development" could and should mean in the 21st century.[25] The United States should not fall back into a stale Cold War-style rivalry with China to "win" the Third World,[26] but if the U.S. is going to compete with China on its development-themed narrative and strategies in the Indo-Pacific, Africa, and Latin America, it needs a more up-to-date, positive vision of development that resonates with citizens in these

[25] Matt Ferchen, "Why the U.S. Shouldn't Cede the Field of International Development to China," China-US Focus, 2017, https://www.chinausfocus.com/foreign-policy/why-the-us-shouldnt-abandon-the-field-of-international-development-to-china.
[26] Gregg Brazinsky, *Winning the Third World: Sino-American Rivalry During the Cold War*, (Chapel Hill: University of North Carolina Press, 2017).

regions. In creating and implementing this agenda, the United States will have to make difficult decisions about regional and substantive priorities, for instance focusing on the strategically important ASEAN region and emphasizing American clean energy and digital technologies. Yet while it's clear that regions like Southeast Asia should be the initial focus of a more effective and competitive U.S. approach, the U.S. needs to do far more than continue to decry China as a bad actor in regions like Latin America and Africa and offer a more confident and hopeful all-around vision. Of course, such a vision just might appeal in China, eventually, as well.