

American Perspectives on the Belt and Road Initiative

Sources of Concern, Possibilities for US-China Cooperation

Alek Chance
with an introduction by **Alidad Mafinezam**





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Institute for China-America Studies
1919 M St. NW Suite 310
Washington, DC 20036
www.chinaus-icas.org

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Alek Chance

Research Fellow, Institute for China-America Studies

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President, West Asia Council

Contents

Executive Summary	3
Introduction	4
The American Reception of the Belt and Road Initiative	9
Transcending Competition and Furthering Common Interests	20

Executive Summary

This report is a survey of common views on China's Belt and Road Initiative (BRI) among American strategic studies and international political economy experts. These observations are placed against the backdrop of BRI's potential to make significant contributions to global economic development, and they comprise a point of departure for a set of preliminary recommendations for using the initiative to improve the US-China relationship. This report maintains an agnostic position regarding the current strategic intentions behind BRI or its future course. However, the scale, scope, and centrality of BRI to China's foreign and economic policy all invite an examination of its potential to enhance the US-China relationship, and to identify factors that either might facilitate or stand in the way of realizing this potential.

Key Findings

- BRI is largely regarded among American experts to be a seriously pursued initiative with the potential to significantly impact the economic and political future of Eurasia. However, the overall response to BRI has been ambivalent, with Americans expressing frequent concerns about standards, the adequacy of Chinese development practices, and the erosion of Western development norms.
- Geopolitical concerns significantly frame Americans' views of BRI. The initiative is sometimes viewed a deliberate attempt to economically marginalize the United States, to create a Eurasian sphere of influence, or as a pretext for expanding China's overseas military presence. At the very least, perceptions that China is embarking on a new, "assertive" phase of statecraft elevate the scrutiny BRI faces.

Key Recommendations

- The United States and China should both envision BRI as a vital instrument for strengthening habits of cooperation. BRI must be shaped in a way that places it on the cooperative rather than competitive side of the US-China relationship.
- Chinese experts and policymakers should work to address American (and indeed, global) concerns about the standards and inclusiveness of BRI, and about China's commitment to existing norms and economic regimes.
- Americans should remain open-minded and flexible about BRI. The US should engage with it where it serves US interests rather than viewing the entire initiative through the often simplistic lens of geopolitical competition.
- The US and China should establish dialogue and collaboration mechanisms focused on exploiting areas of overlapping interests in the BRI domain and to coordinate their different, yet complementary, strengths in development.

Introduction

The Belt and Road Initiative: A Global Opportunity for Sustainable Growth

by Alidad Mafinezam

It is now over three years since President Xi Jinping of China first announced his vision of a “Silk Road Economic Belt” during a major address at the Nazarbayev University in the capital city of Astana in Kazakhstan.¹ Delivered in September 2013, President Xi's speech came less than six months after his accession to China's top office—very early in a tenure that is expected to run until 2023—showing the priority that Chinese leaders attach to this vision, and the extent to which Mr. Xi sees its optimal realization as a pillar of his personal legacy and China's stature as a responsible and peaceful world power. A southern maritime extension, the Maritime Silk Route (MSR), was unveiled by President Xi during a speech to the Indonesian parliament in October 2013.

President Xi's speech was intended to set the broad themes of his multi-country tour of Central Asian republics, for whom China, now well ahead of Russia, has become the largest trading partner, as well as the paramount source of foreign direct investment and development support. The speech was laden with commitments to mutual trust and common values, emphasizing China's respect for the sovereignty of Central Asian republics and their independent domestic and foreign policies, while vowing that it will “never intervene in the internal affairs of Central Asian countries, seek leadership in regional affairs, or operate a sphere of influence.”² The values that guide this stated vision, at least ostensibly, are opposition to unilateralism and the use of force, while promoting rule by consensus and mutual benefit among a diverse array of peoples and cultures.

In line with Xi's declarations, Chinese officials and scholars have since coined the terms “One Belt, One Road” (OBOR) and “Belt and Road Initiative” (henceforth called BRI) to describe a strategy that aims to promote economic integration by building transport and energy infrastructure and linkages, not only in China's own

neighborhood, but along historical routes much farther afield, all the way to Western Europe.

Through BRI, China aims to deepen and expand the surface, sea, and air linkages across the Eurasian landmass and Indo-Pacific periphery, further integrate its main centers of economic vitality, and provide development assistance to its poorer regions—in effect establishing a modern-day Silk Road, which, as early as 2,000 years ago, connected parts of Europe to West-, South- and East Asia in a web of commerce.

In our era, over the past four decades, China has had unrivaled success in lifting some half a billion people out of abject poverty, and has exhibited exemplary prowess in building roads, railways, ports, airports, pipelines, refineries, bridges, tunnels, power stations, urban transit systems, and other infrastructure projects in far flung corners of the world, and in record time.

To better grasp the uniqueness of China's meteoric rise in our time, it suffices to recall that in 1978, as China's opening to the world was being inaugurated under the leadership of Deng Xiaoping, the country's GDP per capita was around \$155. Since that time, this figure has displayed an almost fifty-fold increase, a staggering number for a country that has a population of 1.3 billion people.³

Currently, given its slowing rate of economic growth and the restructuring of its economy, it seems natural, then, for China to entice other (often much smaller) countries with offers of technical and financial support in an attempt to use its excess capacity in finance capital and construction to spur economic growth within China itself and in other economies with whom its fate is intertwined.

American Ambivalence

China's ambition for leadership in the international development arena may seem as a natural progression of the country's rising clout. Yet many American observers remain largely ambivalent about the Belt and Road Initiative. Even a cursory glance at the way government officials and opinion-leaders, such as influential Washington-based think tanks have approached BRI shows that they have more questions than answers about the Initiative.

The reasons American ambivalence are easy to grasp as significant questions remain unanswered: What are China's real motives? Will it uphold the values that it professes in the face of intense global economic competition and ongoing geopolitical rivalries? As China gets stronger economically and militarily, will it see itself as an exceptional nation that is above the rules that apply to smaller countries? During bidding for projects across the vast expanse of BRI, will China bring its huge state apparatus to exert undue pressure on potential partners, placing its quasi-private companies at an unfair advantage over competitors? Will China act trans-

parently when bidding for infrastructure projects that have long-term strategic significance?

In a related vein, as it embarks on its BRI strategy, will China exercise greater care in environmental protection, even though its domestic record in this area has been wanting? China faces an air and water pollution crisis in its largest cities and most rapidly industrializing regions. Many millions of Chinese citizens don masks on a daily basis to cope with such air pollution. As per analysis produced by Tsinghua University in Beijing and the Asian Development Bank in 2013, seven of the world's ten most polluted cities are in China, including Beijing, Taiyuan, Urumqi, Lanzhou, Chongqing, Jinan, and Shijiazhuang.⁴ Too many rivers in China too have run black in the wake of the break-neck pace of industrialization over the past few decades.⁵

Main Routes of the Belt and Road Initiative



Source: Xinhua.net

Equally, while eastern China, especially its coastal regions, have experienced phenomenal growth in recent times, the picture is far less rosy farther inland, especially so in the autonomous region of Xinjiang in Western China. The country faces notable challenges in its distribution of wealth with glaring disparities of income noticeably apparent, raising concerns in turn about equal opportunity and the rapid and undue accumulation of wealth among a well-connected minority.⁶

Even for smaller, far less consequential countries that rely on trade for growth, these types of questions would matter, but China is not an ordinary country. The Chinese are heirs to one of the world's oldest continuous civilizations, dating back at least 5,000 years, and it is natural for them to take pride not only in their unprecedented rise in recent times, but also their rich cultural heritage. Today, China is not only

the world's most populous and its largest creditor nation but on track to officially become the world's largest economy, surpassing the United States. Thus, China's standards of behavior and its current and evolving values will continue to have global repercussions, and will exert a major influence on the way China executes BRI in the years ahead.

A taste of American ambivalence towards China's grand outward trade, aid and investment push was evident during the debates surrounding the establishment of the Asian Infrastructure Investment Bank (AIIB).⁷ A new Chinese-led and Beijing-based multilateral development institution, AIIB was officially launched in 2015, and has already accepted 57 countries as members, accounting for some two-thirds of the world's economic output in aggregate. With an initial capitalization of \$100 billion (\$30 billion of which comes from China), AIIB is a small institution by the standards of China's own "policy banks." In stark contrast, the two largest Chinese banks focused on promoting domestic and global development, the China Development Bank and the China Export Import Bank, together hold assets of close to \$2 trillion, a figure which is about three times the combined assets of all the Western-backed multilateral development banks put together. But even this seemingly large figure represents a mere fraction of the need for infrastructure investment in Asia, which the Asian Development Bank estimates to be above \$8 trillion over the next ten years.⁸ In this respect, the demand for investment capital far exceeds supply, highlighting the need for the world's main sources of investment capital to adopt a paradigm of cooperation and refrain from zero-sum thinking.

A Challenge and An Opportunity to Advance Values-Based and Sustainable Growth

While all the foregoing Western—and American—concerns about BRI are understandable, the question for American policymakers is how they can have the greatest level of positive impact on the choices that China makes as it further establishes itself as a global power, and the values that guide China's rise. From this vantage point, BRI poses not only a challenge but also an opportunity to bring much-needed development to Eurasia's and rimland Asia's underdeveloped regions while also ensuring that China gives priority to being a responsible and transparent stakeholder as its clout grows on the international stage.

Numerous unprecedented developments in recent months have created a major opportunity for expanding US-China collaboration in advancing sustainable and inclusive growth.⁹ The most important of these came in September 2016 on the eve of the G20 summit in Hangzhou, when China and the US, the world's top two greenhouse gas emitters respectively, jointly ratified the UN Paris Agreement on Climate Change, which is the most ambitious international effort ever undertaken to combat the causes and effects of climate change. The United States has pledged to reduce its greenhouse gas emissions by more than a quarter by 2025, compared with 2005.

China, for its part, has pledged that it will ensure that annual emissions will stop rising after 2030. Other countries have set their own targets, such as slowing deforestation and installing solar farms. Under the agreement, wealthy nations have pledged some \$100 billion a year to help developing countries grow their economies using clean sources of energy.

In a related vein, in October, 2016, 200 nations reached an agreement in Kigali, Rwanda to eliminate the use of HFCs in refrigerators and air conditioning units in the year ahead,¹⁰ since the chemicals have made an outsized contribution to global warming. Here, too, the leadership of the U.S. and China was indispensable in bringing other countries in the developing and industrialized parts of the world into compliance. Clearly, international environmental considerations that overlap with international development considerations present a valuable space for the US and China to cooperate and chart a future that is equitable and sustainable.

If such potential for cooperation is to be realized, however, many steps must be taken to improve transparency regarding BRI and to address American concerns about standards and the direction of Chinese leadership in international development. To help understand the contours of such a challenge, the body of this report surveys common reactions to BRI in the American foreign policy community, highlighting chief areas of American interest in the initiative along with apprehensions. This assessment aims to spur dialogue. In turn, BRI itself can become a focus of critical US-China cooperation in sustainable development in the 21st Century and beyond. |

American Perspectives on the Belt and Road Initiative

Sources of Concern, Possibilities for US-China Cooperation

by Alek Chance

I. The American Reception of the Belt and Road Initiative

BRI's Uncertain Significance

The Belt and Road Initiative has elicited a wide range of opinions in policy discussions within the United States. Depending on whether one is an investor, an executive at an engineering or logistics firm, or a defense planner, BRI can signify different things to different people. The following section will attempt to survey American perceptions of BRI in one important domain, that of foreign policy analysis. Works surveyed here have been published by American think tanks, academic journals, or are works published abroad by American authors.¹¹ The focus here is on analyses that assess the full economic and political implications of BRI and contextualize them in terms of both Chinese and American foreign policy. These criteria are meant to capture the literature that is most likely to inform the views of American decision makers and opinion leaders as they develop views on BRI and formulate American responses to it.

Even among the foreign policy analysts in academic and think tank circles whose work is surveyed here, there is no consensus regarding BRI's aims or its impact on US-China relations or China's role in the world. BRI is generally regarded as having the potential to drastically change the economic and even political landscape of Central Asia and, to a lesser extent, Southeast Asia and Europe. Along with occasional optimism about the positive effects of these changes, American assessments describe a variety of concerns regarding BRI's economic viability and its implications for international order or American interests. BRI can be viewed by one analyst as being "an entirely mercantile endeavor,"¹² and by another as a strategic gambit aimed at establishing Chinese hegemony or even laying the foundations for a "Sino-centric" world order. Some see the initiative as a risky act of hubris that could

exacerbate China's economic slowdown,¹³ while others see BRI as having the potential to "reestablish Eurasia as the largest economic market in the world [and] effect a shift away from the dollar-based global financial system."¹⁴

The views expressed in American circles are essentially uncertain as to the intentions, short-term success, and the long-term implications of BRI. Along with ominous interpretations of Chinese objectives, one can find many assessments of potential benefits for the United States or areas in which BRI can enhance US-China cooperation. The caution displayed in assessments of BRI and prescriptions for US responses are reflective of the broader uncertainty that many Americans have regarding long-term Chinese strategic intentions. This assessment will attempt to sketch the contours of these uncertainties regarding BRI so that those which are built on misapprehension can be better addressed through dialogue. In turn, BRI itself might become a tool to further reinforce confidence-building cooperation between the US and China.

Perceived Economic Rationales for the Belt and Road Initiative

American commentators' views on the economic rationale for BRI are mostly in line with the Chinese government's stated objectives as outlined in the "visions and actions" document.¹⁵ BRI's acknowledged goals of developing Western China, furthering China's economic integration with bordering states and maximizing the comparative advantage of various Chinese sectors largely make sense to American analysts. Many commentators also emphasize that BRI is instrumental to bringing

If one had to choose a single driver for BRI as presented in American commentary, it would be the problem of China's surplus capacity.

about President Xi Jinping's "centenary goals" and the national rejuvenation of the Chinese nation, thus connecting the project to his signature domestic policy initiatives.¹⁶ It is widely recognized that China must seek new sources of

growth and diversify its economy as it restructures to adapt to the "new normal." Many analyses also note that China's estimated \$4 trillion in foreign exchange denominated reserves, the greatest share of which are in US Treasury bonds, could be more productively invested in infrastructure.¹⁷ BRI's reinvestment of these assets in RMB-denominated loans would serve the further goal of increasing the Renminbi's use as an international currency—another stated goal. One analyst also suggests that BRI will serve to test the ability of Chinese state owned enterprises (SOEs) to compete abroad.¹⁸

If one had to choose a single driver for BRI as presented in American commentary, it would be the issue of China's surplus capacity. This rationale is almost universally attributed to China but only obliquely discussed in the "vision" document.

Virtually all American assessments begin their discussion of Beijing's goals by claiming that China seeks to use BRI to export its surplus capacity in construction materials, engineering services, and perhaps even labor. One analyst even argues that non-construction sectors of China's economy may be incorporated into BRI if they begin to stagnate.¹⁹

Perceived Strategic Rationales

American commentators also articulate a range of broader foreign policy goals they see being served by BRI that go far beyond economic gains. The initiative is sometimes viewed through the lens of a perceived evolution in Chinese foreign policy towards a more proactive use of national influence and a more comprehensive pursuit of interests.²⁰ One analyst connects BRI to China's strategic goal of becoming a "strong trading power (*maoyi qiangguo* 贸易强国)" that can actively influence the shape of the global economy and sees China as increasingly using economic and diplomatic instruments of influence to support one another.²¹ Another observes that, as China's foreign policy becomes more proactive, it can use BRI to favorably shape the so-called "period of strategic opportunity" rather than just passively developing within it.²² China's frustration with its undersized representation within the Bretton Woods institutions is well recognized, so the Asian Infrastructure Investment Bank's perceived close connection with BRI facilitates perceptions that it is part of a concerted attempt on the part of China to reshape its institutional environment. Moreover, China's activities in other policy areas, such as in the South China Sea, shape interpretations of BRI's place in Chinese strategy. "Assertiveness" in the security domain results in economic policy being viewed as assertive as well.²³

In one way or another, many commentators view BRI to be a response to President Barack Obama's "pivot to Asia." Some portray Beijing as seeking a westward escape from American encirclement presented by the military dimension to the pivot (now called the "rebalance"). Others see initiatives like the Trans-Pacific Partnership, or TPP, as creating hostile economic territory for China, necessitating a pivot on China's part to the west.²⁴ One analyst claims that China responded to the United States' New Silk Road Initiative (NSRI) for developing Afghanistan and its neighbors with alarm, viewing it as a sort of encroachment.²⁵ These views seem to make the assumption that Beijing's central focus with BRI is on Central Asia rather than the Asian maritime regions circumscribed by the Maritime Silk Road portion of BRI. A focus on the Central Asian or Eurasian implications for BRI is common in American literature.

In more concrete terms, most analyses see a key strategic objective of BRI to be improving energy and food security. BRI is often presented as addressing Beijing's so-called "Malacca dilemma," that is, the Chinese economy's over-reliance upon a small number of sea lanes for commercial trade and up to 80% of its energy supply.

By investing in pipelines in Central Asia and connecting China to the Indian Ocean via the China-Pakistan Economic Corridor (CPEC), BRI is seen to be a partial solution to China's vulnerability to economic disruption or US blockade. Finally, many analysts view China as being strongly motivated to invest in Xinjiang and adjacent foreign regions in an attempt to further establish PRC state capacity and achieve regional peace through economic development. Many assessments of BRI in US publications emphasize Chinese concerns about the potential for instability in Central Asia to bleed into Western China.

Positive Views of BRI's Impact and Prospects

While some voices in the US have expressed deep doubts about BRI's economic viability, most in-depth studies seriously consider the possibility of its transforming trade and political relationships throughout Eurasia to varying degrees. Americans evaluating the initiative are quite aware of the \$800 billion per year "Asian infrastructure gap" calculated by the ADB—a deficit far beyond the capability of any multilateral development bank to address. As such, they recognize BRI's promise

for coordinating much greater amounts of financing.²⁶

The prospect of Chinese investment, diplomatic engagement, and even security involvement in Afghanistan have been welcomed by some American commentators.

It is rare to find unreserved advocacy of Belt and Road within American foreign policy circles, but many have made an effort to articulate potential complementarities between

BRI or the AIIB and America's preferred institutions and frameworks, including TPP.²⁷ However, much of this line of argument consists of debunking more alarmist views of competing American and Chinese economic orders rather than laying out a positive vision for economic collaboration. Most positive assessments of BRI are limited to general observations about its potential to stimulate global economic growth, although to date there does not seem to be a dedicated study focused on quantifying its possible impact in this regard.

One area of BRI's perceived benefit to the US is in the security domain. The United States has turned to infrastructure investment in an attempt to secure peace through development in Afghanistan. The "New Silk Road Initiative" aims to better integrate Afghanistan and surrounding regions into the global economy, mostly through USAID contributions to a Central Asian power grid, known as CASA-1000, and the ADB-financed TAPI pipeline linking Turkmenistan, Afghanistan, Pakistan and India. The NSRI is generally thought to be faltering, in part because financial support for such an initiative is hard to come by in the US.²⁸ The United States is nonetheless committed to cultivating the conditions necessary for the Afghan state to stand on its own, and the prospect of Chinese investment, diplomatic engagement,

and even security involvement in Afghanistan have been welcomed by some American commentators. Given China's own interests in regional stability, BRI's potential to contribute to NSRI's objective—while likely surpassing it in scale—can be seen as potentially beneficial, including by some US officials.²⁹

Cautious and Skeptical views of BRI

Many American commentaries express a general concern about the sheer scale and ambition of BRI. Words like “massive,” “overextension,” and “hubris” frequently appear in descriptions of the initiative. Another issue that is occasionally brought up in American discussion is BRI's apparent lack of firm parameters. Some commentators have argued that projects might be included or excluded from the BRI concept in accordance with the success or controversy they encounter. Some of these concerns no doubt arise from differences in political economy and state/society relations between the United States and China. BRI epitomizes a kind of state-led economic management that many Americans are generally skeptical of to begin

Examples of Recommendations for Chinese Policymakers

Some analyses published in the US have offered suggestions to Chinese policymakers to make the mutually beneficial aspects of BRI more clear or otherwise reassure international audiences about the benefits of the initiative. Many of these recommendations are rooted in apparent concerns that past Chinese economic policies, while nominally “win-win” in nature, have distributed benefits in a manner that is overly favorable to China, and that China isn't sufficiently willing to reciprocate the economic openness of its trading partners. These include recommendations to:

- Ease the “strings attached” approach to lending and allow local laborers to provide the bulk of BRI construction work rather than importing Chinese workers.
- Allow a competitive bidding process so that American and other global firms can participate on an equal footing with Chinese firms.
- Create a multilateral mechanism for facilitating coordination on BRI to assuage concerns it is too dominated by Chinese rather than global public interests.
- Increase economic openness by reducing tariffs and non-tariff barriers.
- Openly address concerns of trading partners about uneven trade flows in terms of volume and value.
- Better engage with local political actors by conducting surveys and creating open consultative processes to address perceptions of cultural, political, or environmental insensitivity.
- Work with the United States in places like Afghanistan by using US contractors to provide security for BRI projects.

with, and the Chinese government's reputational investment in the project raises the prospect of politics and messaging getting in the way of economics.³⁰ Along these lines, one analyst argues that BRI is so essential to Xi Jinping's legacy that there is a substantial risk of economic pragmatism taking a back seat to political imperatives.³¹

However, more specific grounds for skepticism or caution can easily be discerned in the American literature. Many of these are derived from widespread perceptions about China's past difficulties in foreign investment and diplomacy more generally.³² Many assessments of BRI cite past Chinese projects such as the stalled Myitsone Dam in Myanmar as an example of Chinese insensitivity to local political considerations and the environment.³³ Others cite projects like Poland's A2 highway to call into question China's reputation for efficiency and expertise in foreign infrastructure projects.³⁴ More generally, commentators frequently claim that there are too many incentives in Chinese business and political culture for various actors to overpromise or withhold bad news.³⁵

Another significant critique is that, while there certainly is an "infrastructure gap" in Asia, it isn't due to a lack of financing. The difficulty in connecting finance to projects, according to this argument, is that there are very few viable projects that are ready for investment. This is because security problems and governance issues like corruption create too much risk for investments.³⁶ Compounding this is a perceived lack of experience within Chinese institutions in vetting projects for viability. In short, in the eyes of some commentators, China may be simply making risky investments if it can't find ways around these more fundamental problems.³⁷ A potential secondary consequence of lending in an environment of weak governance and insecurity is unsustainable debt for recipient governments that could create domestic instability and tensions with China.³⁸

China's alleged insensitivity to foreign cultures or other states' political interests creates concerns regarding BRI's ability to cultivate stability as well. One commentator notes that Beijing seems to lack cognizance about the initiative's potential to raise tensions with middle and great-power neighbors.³⁹ Along these lines, some analysts doubt that Russia can countenance significant Chinese engagement in its traditional sphere of influence. Some hold that Moscow's current acquiescence may only be due to a sense of weakness—but this could change.⁴⁰ Another argues that the connections Beijing wishes to make between economic development and security might be illusory without greater cultural sensitivity.⁴¹ One need look no further than the "flagship"⁴² BRI project of the Pakistan corridor to see how issues of great-power rivalry and difficult regional politics intersect as a link between Pakistan and China crosses disputed territory.

These concerns are exacerbated by the simple geographical fact that BRI projects necessarily traverse some of the most poorly governed or weakly integrated states

in the world. Some American commentators have observed that in addition to governance problems in Central Asia, Southeast Asia possesses the largest concentration of separatist movements in the world.⁴³ In such regions, hard infrastructure makes for soft targets for terrorism or sabotage, and large scale projects such as those proposed by BRI can easily instigate social unrest.

Ultimately, while most Americans agree that underdevelopment is part of a vicious cycle of poverty and insecurity, many in the US aren't convinced that large infrastructure projects are the right way to break it. For the most part, US government and non-governmental development initiatives have taken a very different approach, focusing instead on health, human development, civil society building, and governance reform rather than infrastructure investment. The more immediate appeal of the Chinese model of development is not lost on Americans. As one political scientist put it, "as laudable as these Western goals are, no country has ever gotten rich by investing in them."⁴⁴

Concerns about US Interests or International Order

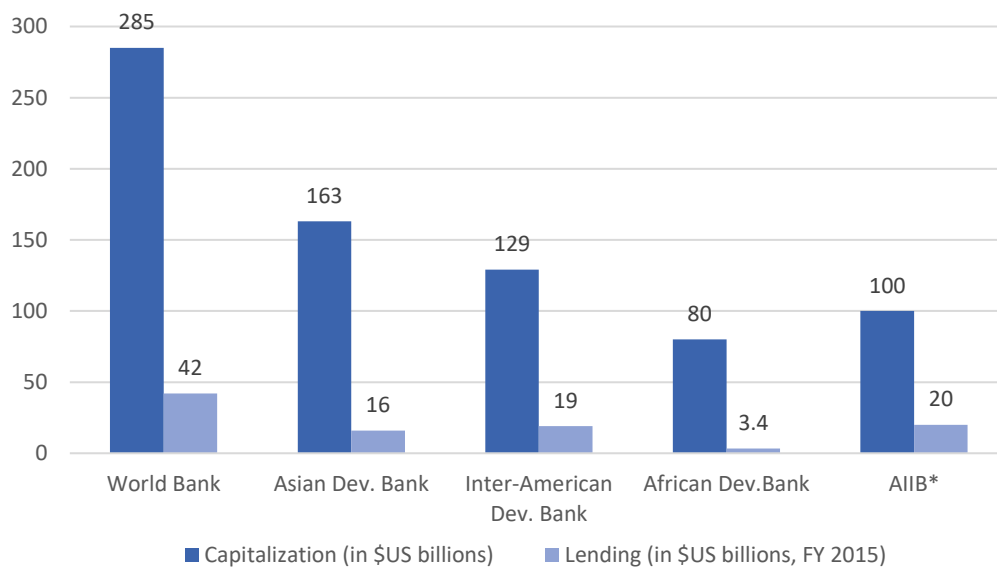
While some commentators appreciate China's evident improvement in using its soft power and establishing itself as a global leader with the Belt and Road Initiative, there are also many alarmist reactions to Beijing's new diplomacy. One concern frequently voiced in American literature is that China seeks to create new international institutions or economic frameworks that work as parallel alternatives to or completely replace US-led regimes such as the Bretton Woods institutions (the WTO and IMF) or the dollar-based financial system. To some, BRI and AIIB represent a "tipping point" that challenges the American foundations of the economic order and introduces the beginnings of a "Sino-Centric" one.⁴⁵ An expression often employed in such discussion, "all roads will lead to Beijing," echoes the old saying about imperial Rome's literally central place in the ancient West.⁴⁶ What, exactly, this means can vary a great deal, from China creating regional economic dependencies favorable to it, to China working to make Europe become "a mere peninsula at the end of the Asian continent."⁴⁷ Despite Chinese promises to promote an inclusive framework, to one analyst BRI appears "tacitly exclusive" of the US and its interests.⁴⁸

A more concrete concern is that China's monetary and political investments in BRI projects will commit it to greater security activities outside of China. Many commentators note that PLA or other forces would likely be called upon to protect Chinese nationals threatened or harmed by terrorists while working on BRI projects.⁴⁹ Many analysts assume that greater Chinese financial exposure will necessitate greater security involvement in BRI countries, although the precise contours of this expected involvement is rarely articulated. One commentator gives the worst-case examples of the United Fruit Company and the British East India Company as dragging their respective nations into significant security entanglements.⁵⁰ Another sees

the creation of a BRI security coordination mechanism as “inevitable,” with the Shanghai Cooperative Organization already providing the likely foundation for such an organ.⁵¹ Some envision a Russian/Chinese division of labor in Central Asia, in which Russia will continue to play a dominant security role while permitting Chinese economic dominance. Others envision mission-creep for the PLA, and especially for the PLAN, although some commentaries remind us that greatly expanding their overseas roles would require a “sea change” in Chinese strategic thinking,⁵² or would be restrained by a number of practical issues.⁵³

AIIB in Context: Multilateral Development Banks

(*AIIB projected future lending)



American observers have taken note of certain discussions in China regarding the strategic implications of BRI, particularly those provided by Renmin University’s Wang Yiwei (王义桅) and the PLA Academy’s Ji Mingkui (纪明葵).⁵⁴ Both of these commentators present BRI in more geopolitical terms. To some in the US, this discussion seems to capture the essence of BRI: a competitive gambit which seeks to separate the European Union from the United States and Japan.⁵⁵ To others, this simply calls attention to the fact that BRI might be a useful vehicle for various agendas within China, some of which may influence its course in the future.⁵⁶

Some commentators have noted that regardless of its reach, BRI won’t necessarily undermine American partnerships. In general, many analysts have attempted to transcend simple notions of exclusive “spheres of influence” or similar concepts. One observer argues that cooperation with China would not preclude Maritime Silk Road partner states from participating in security cooperation with the US.⁵⁷ A prime example of such coexistence can be seen in Djibouti, which will soon host a

Chinese naval facility alongside American and Japanese ones. This idea of overlapping or fluid partnerships, or orders which contain “dual hierarchies” have recently been more broadly articulated by some theorists in connection to the US-China relationship.⁵⁸

BRI and American Foreign Policy

One interesting phenomenon in the United States is how BRI fits into a narrative of examining inadequacies American foreign policy, particularly in economic statecraft. There has been increased interest in issues of connectivity in Eurasia and Asia,

BRI is sometimes used to illustrate the shortcomings in the American style of foreign policy or to demonstrate the need for a more sophisticated approach to geo-economics to compete with China’s influence.

with one major think tank embarking on a research program in each area.⁵⁹ Many studies and commentaries have emphasized the US’ lack of a coherent plan to coordinate economic statecraft with other elements of national power in a comprehensive strategy. BRI or the AIIB are explicitly men-

tioned in this regard in many of such works,⁶⁰ and arguably lie in the background of many others.⁶¹ Some authors use BRI as a vehicle for illustrating, by way of contrast, the shortcomings in the American style of foreign policy or eliciting interest in US involvement in infrastructure as a development tool. Other commentaries specifically advocate a more sophisticated American approach to geo-economics to compete with China’s influence.⁶²

These discussions take place against a background of concerns about over-reliance on military instruments of national power, the inability to get Congress or the American public behind key economic initiatives like the Trans-Pacific Partnership, and worries that US policy has been short-sighted and lacks creativity. Some analysts have pointed out that even monitoring BRI is a challenge for the US foreign policy bureaucracies. Because they are internally organized by region, they have difficulty assessing China’s trans-continental agenda, let alone formulating their own. At least one observer notes that the lopsided emphasis on military affairs in US foreign policy might create an opportunity for complementarity between American and Chinese objectives insofar as successful infrastructure development via BRI can supplement areas of weakness for the United States in places like Afghanistan.⁶³

BRI’s Ambiguities in the American Perspective

Many American analysts share significant reservations about BRI due to their lack of confidence in its future direction. One analyst asks, “[is BRI] a soft power initi-

ative, a hard power initiative, or hard power wrapped in soft power?”⁶⁴ Many specific concerns speak directly to the question of whether BRI is genuinely open and inclusive and creates global public goods, or it will create “club goods” for China and its more closely aligned partners. For example, one commentator asks whether BRI facilities such as ports in Bangladesh, Iran, and Kenya will be open to all or just Chinese partners and interests.⁶⁵

One of the most common concerns Americans have toward Chinese-led initiatives is about standards. This near-ubiquitous theme can be heard among scholars and statesmen alike, including President Obama. While American concerns about AIIB’s lending standards have largely been assuaged, many in the US, including

Uncertainties about BRI are symptomatic of a more general uncertainty about Chinese aims over the long-term. As China’s ability to influence international order grows, Americans are unsure about the principles undergirding its foreign policy.

Secretary of Treasury Jack Lew, are less confident about the lending standards of China’s development and policy banks.⁶⁶ As a transparent, multilateral organization, the AIIB is often seen as “lean clean and green,” but as is well recognized in the US, the AIIB will only contribute a small share of BRI funding.⁶⁷ The

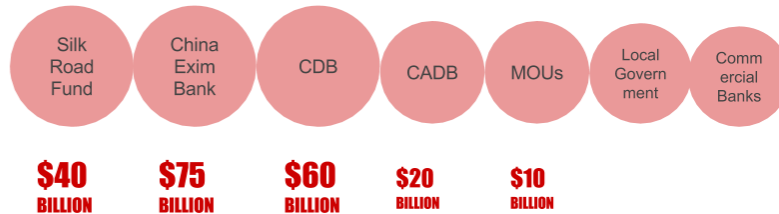
bulk of the initiative will be financed by entities like China’s policy banks, the Silk Road Fund, and commercial banks, which will continue to receive disbursements in the tens of billions of dollars earmarked for BRI lending. The perennial issue of standards looms large over these entities.⁶⁸ Questions about standards are grounded in several layers of concerns. Most simply, American commentators are concerned that Chinese lending initiatives do not do enough to preserve the environment or protect labor rights in recipient countries. At a deeper level, there is a sense that China’s relative indifference to these things grants them a competitive advantage over Western actors in currying favor with developing nations. At the strategic level, some Americans fear that China will use its economic clout to degrade, undermine, or replace the liberal norms that have prevailed in the postwar international economic order.

Uncertainties about BRI voiced in American literature are in many ways symptomatic of a more general uncertainty about the aims of Chinese foreign policy over the long-term. As China’s ability to influence international order grows, Americans are unsure about the principles undergirding its policies. Perceptions that Beijing’s actions in other areas like the South China Sea are overly assertive or conducted with little regard for the interests of other states undermine confidence among Americans that Chinese foreign policy genuinely embodies a “win-win” approach. In fact, the juxtaposition of the maritime territorial issues with BRI has yielded a

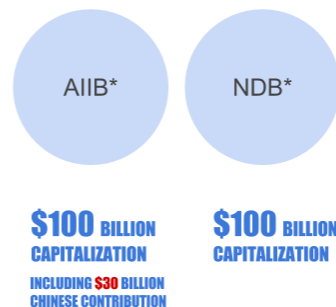
wide range of interpretations. Some analysts see territorial disputes as unintentionally undermining China's real agenda of promoting mutually beneficial economic ties.⁶⁹ Some who espouse this view express confidence that BRI will ultimately have a stabilizing and positive effect on Chinese policy by directing its focus toward positive-sum issue areas. On the other hand, many American analysts believe that China has recently become more willing to assertively advance its own interests, is more willing to risk damaging relationships with other nations, or is confidently seeking to erode the United States' stature in Asia and beyond. Some who see such assertiveness in China's recent behavior are likely to apply this framework to BRI as well. The results in the inference that more zero-sum geopolitical calculations must be behind Belt and Road as well.⁷⁰

BRI Lending Instruments

CHINESE FUNDS DISBURSED FOR BRI LENDING



PARTICIPATING MULTILATERAL DEVELOPMENT BANKS



* Not exclusively dedicated to BRI.

CDB = China Development Bank; CADB = China Agricultural Development Bank; MOU = Memorandum of Understanding; NDB = New Development Bank, or BRICS Bank

II. Transcending Competition and Furthering Common Interests: Realizing BRI's Potential

The preceding section demonstrates that responses to BRI in the United States are often marked by circumspection or ambivalence but also recognition of BRI's positive potential. Moreover, three general and partially interrelated themes can be identified in much of the American literature.

- American analysts and policymakers frequently raise the issue of standards in Chinese lending and development policy. This is grounded in pragmatic concerns like the environment, but also in worries that China provides a tempting but nonetheless unsustainable alternative to existing lending institutions. The most extreme form of this concern about standards derives from the apprehension that China seeks to create

BRI should be viewed by both the US and China as a vital instrument for strengthening habits of cooperation between the two nations.

a parallel, illiberal economic or political order that competes with or replaces the so-called liberal international order. BRI raises the profile of this issue of standards at each of these levels.

- Many American observers of BRI suspect that the initiative is a vehicle for narrow or short-term Chinese interests, or that it isn't a genuinely far-sighted program for developing "win-win" cooperation. Such responses are often informed by the commonly held Western view that China has an established track record of self-serving or counterproductive behavior in its economic relations with the developing world.
- Geopolitical aspects of the US-China relationship significantly frame interpretations of BRI in the perspective of many Americans. As China continues on its path toward becoming the world's largest economy, it is at the same time perceived to be increasingly assertive, more accepting of risks, and more willing to alienate actors like the United States. A major initiative like BRI will inevitably be examined in light of these real or perceived trends.

Whether this circumspect reception in the United States matters to the initiative depends in part on Beijing's expectations about how BRI fits into its relationship with Washington. It is always possible that American support for BRI isn't seen as necessary or even desirable. Regardless, given the apparent centrality of BRI to Chinese foreign and economic policy and the great importance of the US-China relationship to the international system, BRI in any case should be seen on both sides as a vital instrument for strengthening habits of cooperation between the two nations. The current relationship between the United States and China is almost universally described as containing a mix of cooperation and rivalry. Care must be taken to maintain and expand areas of collaboration to provide a counterweight to increasing areas of competition. Both nations have an interest in identifying issues that transcend zero-sum geopolitics. Both have attempted in various ways to develop a narrative for bilateral relations that embodies this concept, Xi Jinping's concept of a "new model" of great power relations being one recent example.

In recent years, however, even once positive areas of the bilateral economic relationship have become sources of friction. This challenges the assumption that economic interdependence alone can provide sufficient cooperative ballast to the broader relationship. One bright spot in this increasingly complicated picture has been the expansion of US-China cooperation to include addressing climate change. Chinese and American leadership in the COP-21 climate agenda has demonstrated the ability of the two nations to engage in positive-sum collaboration to promote a genuine and critical shared interest.

International development also has the potential to be a transcending issue that serves the interests of China, the United States, and the international community at large. In this domain, BRI promises to provide global public goods in the form of increased connectivity that can result in improving life in developing countries and opening up economic opportunities for developed ones. The potential secondary benefits include greater international security and bolstered state capacity that follow from development. Under the right conditions, these developments can be embraced by the United States and other nations as beneficial to their interests or at worst, neutral. If BRI projects are appropriately directed towards facilitating environmentally sustainable development, the initiative can add to the ongoing efforts in climate cooperation to create a broad sustainability agenda that can become a key focus of the relationship.

Nonetheless, BRI's positive potential often goes unrecognized in the American foreign policy community. This is in part because it is viewed as an element of a broader strategic competition between the two countries, and in part because Chinese voices have done a poor job of explaining the initiative and describing its possible benefits. Chinese and American scholars and policy practitioners can also do more to explore BRI's potential to strengthen the relationship by establishing

clearer distinctions between areas of genuine competition and areas of shared interest. Establishing mechanisms for identifying such areas and the complementary strengths that could serve them would create opportunities for important confidence building.

Towards this end, we put forth a set of broad recommendations that outline ways BRI can be used to support an agenda of improving cooperation between the US and China in providing global public goods. These recommendations are not premised in the assumption that BRI as currently envisioned is ready for American endorsement and engagement. Rather, the assumption is that BRI's real impact will be determined through interactions between many countries as it unfolds. China, the US, and other states should actively shape its future contours by identifying opportunities for positive engagement.

Recommendations for the Chinese Policy Community

- **Understand that the “win-win” aspects of BRI and the initiative in general have been poorly communicated to American audiences.** Few Chinese voices have directly articulated a cooperative vision for BRI in Washington or discussed ways it can support American goals. This can create perceptions that BRI is intended to exclude the United States.
- **Emphasize the message of “lean and clean” and especially “green” principles in BRI projects, and support this message with substantive actions.** American (and other countries’) concerns about environmental and other standards should be directly addressed. Focusing BRI toward sustainable development and green energy will greatly increase international support and reinforce China’s efforts to become a global leader.
- **Promote high lending standards to demonstrate that BRI complements and furthers the achievements of the existing international economic order and does not undermine it.** Many Americans are apprehensive that China will challenge existing regimes and norms in ways that weaken developed states or create a race to the bottom in lending standards. On the other hand, most in the US expert community understand the need to adapt existing regimes to new realities, like the increased importance of the BRICS nations.
- **Recognize that interpretations of BRI vary greatly from one audience to the next.** Economists and international security experts will focus on entirely different aspects of the initiative. Washington think tank scholars tend to hold different views from their university counterparts as well. Think tank experts focused on strategic issues are more likely to view the US-China relationship in zero-sum terms, whereas economists and development experts are more

likely to take a positive-sum view. Improving communication with this latter group as well as economic decision-makers within government will yield the most productive discussions.

- **Take advantage of the American private sector's considerable interest in BRI and improve outreach to this important group.** American firms specializing in transportation, logistics, and energy services can serve important roles in BRI projects. Their involvement would reinvigorate the bilateral business relationship at a time when sources of friction are multiplying, yet many in the business community complain that information on potential involvement is hard to come by.
- **In general, focus on transparency, outreach, and basic information sharing.** All the above recommendations derive from concerns about the character of BRI lending, apprehensions about broader Chinese objectives, and a simple lack of basic facts about the initiative. A more sophisticated international outreach regarding the scope and character of BRI projects must be initiated. At this point, however, the Chinese government's primary English-language websites on BRI are weak on details and are poorly updated.

Recommendations for the American Policy Community

- **View BRI realistically as an opportunity for selectively engaging with China.** American interests won't be served by all BRI projects, nor will American involvement be welcomed in all areas. Nonetheless, BRI must not be subsumed by a simplistic and categorical framing notion of competition between the two nations.
- **Evaluate the positive impact of proposed BRI projects on American interests in areas like Afghanistan or Central Asia more broadly.** American and Chinese interests may overlap considerably in some regions or some issue areas, and this overlap should be exploited. American initiatives can be developed in parallel to Chinese ones, even where direct collaboration is not likely.
- **BRI investments in coal or hydropower in developing economies should not be condemned to such a degree that it precludes cooperation in other mutually profitable project areas such as renewable energy.** Although western development finance and expertise has moved away from these sectors, partnering to assist a transition toward more sustainable alternatives is preferable to cutting the US out of the conversation.

- **Maintain flexibility in adapting the existing international economic order to accommodate new realities like the rise of the BRICS nations.** For example, even if its joining the AIIB is unlikely, the United States can exercise leadership in existing multilateral development banks to coordinate with it on projects. This is already happening and should continue.

Both Countries Should Establish Dialogue and Collaboration Mechanisms

- **Collaboration on international development issues should be elevated in priority and expanded as a bilateral issue.** The US and China should work to establish a dedicated dialogue forum to discuss environmental, labor, and human rights standards in international development. Such a dialogue could be placed within the context of the Strategic and Economic Dialogue (S&ED) or even, as some have recommended, within a multilateral forum like the G20.
- **China and the United States should enhance information sharing regarding high-impact development initiatives to help foster cooperation.** Chinese officials could use the BRI framework to invite American participation in development projects that support American interests or are deemed to be high priority. US officials could develop a set of pilot or demonstration projects as candidates for BRI funding, some of which could then be selected by Chinese officials according to their complementarity to Chinese interests. This would direct the two nations towards identifying common interests and initiate habits of cooperation in international development.
- **Over the longer term, the two nations should create synergy between their very different but complementary strengths in international development.** China should recognize that the US has a great depth of experience in developing the “soft” infrastructure necessary for full economic and human development, and for ensuring political stability. This includes governance reform and capacity, health, education and civil society development. Americans should embrace the shorter-term economic impact of infrastructure investment which, when properly paired with an attention to governance and human development issues, is indispensable to generating long-term sustainable growth.
- Finally, **both nations should recognize that environmental cooperation has been the signature achievement of US-China cooperation in recent years.** Addressing climate change is a key area for cooperation because it represents genuinely shared, critical interests. By expanding these efforts to include creating an environmentally sustainable global economy for the 21st Century and beyond, the US and China can continue this trend of transcending competition while providing global public goods. The Belt and Road Initiative can be an important instrument for carrying out this task.

Like any major initiative, the true impact—and indeed meaning—of BRI will be determined through the course of its implementation, as diverse actors engage with it and as Chinese policymakers emphasize its different dimensions to adapt to changing exigencies. While BRI has the potential to contribute competition in the US-China relationship, it also has the potential to be used to enhance cooperation. If this potential is to be realized, it must be shaped with conscious effort to meet this end. Americans should thus be clear-eyed about the potential strategic impact of BRI, but also remain alive to the possibilities it presents and not be categorically dismissive or suspicious. Americans should disaggregate the different elements of the initiative in order to spot opportunities for selectively engaging with China. Chinese should in turn be responsive to American concerns about BRI, which are shared by many in Europe, India, Australia, and beyond. Such concerns identify the scope of potential obstacles and delineate the most productive paths forward. |

About the Authors

Alek Chance is currently researching issues of perception in US-China relations. He is the editor of the ICAS Bulletin. His interests include global governance, ideas of international order, and ethics in international affairs. He has taught international relations and political theory at Boston College and Loyola University Maryland. Dr. Chance was formerly Resident Fellow at the United States Naval Academy's Stockdale Center. He completed a BA from St. John's College and a PhD in political science from Boston College.

Alidad Mafinezam is the President of the West Asia Council. He is the co-founder of the Mosaic Institute in Toronto and former board member of the Iranian Canadian Congress. He has served as an advisor for policy research institutes across the world, including the Centre of Excellence for Research on Immigration and Settlement and UN University for Peace. Dr. Mafinezam has authored numerous publications in a variety of areas, including public policy, immigration, and politics of West Asian countries. His book *Iran and Its Place Among Nations* has been widely recognized as a key reference on Iranian foreign policy. He holds a Ph.D. in public policy from Rutgers University.

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Notes

- ¹ Tang (2013)
- ² Lain (2014)
- ³ Eckart (2016)
- ⁴ Zhang and Crooks (2012) p. 55.
- ⁵ Ibid. p.43.
- ⁶ See, for example, Gustafsson and Li (2003), Gao and Teng (2006), Ding (2006)
- ⁷ Noori *et al.* (2015)
- ⁸ Asian Development Bank (2012) p.iii.
- ⁹ White House (2016), Wei and Schwartz (2016)
- ¹⁰ US Department of State (2016)
- ¹¹ For expediency's sake, all such perspectives will be described as "American."
- ¹² Djankov *et al.* (2016), p. 6.
- ¹³ Zhou *et al.* (2015).
- ¹⁴ Djankov *et al.* (2016), p. 10.
- ¹⁵ Chinese Government (2015).
- ¹⁶ Rolland (2015), Johnson (2016)
- ¹⁷ Djankov *et al.* (2016) p. 8.
- ¹⁸ Johnson (2016) p. 21.
- ¹⁹ Djankov *et al.* (2016) p. 9.
- ²⁰ Cheng (2015), Heath (2016), Johnson (2016).
- ²¹ Heath (2016).
- ²² Johnson (2016).
- ²³ Heath (2016) p. 162.
- ²⁴ Wethington (2015) p. 16.
- ²⁵ Fallon (2015) p. 141.
- ²⁶ He (2015). For example, the AIIB intends to invest \$200 billion in Asian infrastructure in the next 10 years while the China Development Bank, only one of several for-profit investors, projects \$800-900 billion.
- ²⁷ Dollar (2015), ICAS American Voices Initiative (2016)
- ²⁸ Economist (2016).
- ²⁹ Hudson (2015).
- ³⁰ Johnson (2016) p. 23; Djankov *et al.* (2016) p. 10.
- ³¹ Johnson (2016) p. 23
- ³² See, for example, Reeves (2013).
- ³³ Swaine (2014) p. 15.
- ³⁴ Djankov *et al.* (2016) p. 9.
- ³⁵ Zhou *et al.* (2015), Overholt (2015), Djankov *et al.* (2016).
- ³⁶ Goodman (2016), Runde and Savoy (2016).
- ³⁷ Goodman (2016), Runde and Savoy (2016) p. vi, 3.
- ³⁸ Zhou *et al.* (2015).
- ³⁹ Djankov *et al.* (2016) p. 11.
- ⁴⁰ Zimmerman (2015) p. 17.
- ⁴¹ Fallon (2015) p. 142.
- ⁴² Li Keqiang has described CPEC as the "flagship" BRI program.
- ⁴³ Overholt (2015) p. 17; Djankov *et al.* (2016) p. 15.
- ⁴⁴ Fukuyama (2016).
- ⁴⁵ Wethington (2015) p. 16; Lin (2015) p. 2.
- ⁴⁶ Fallon (2015), Roland (2015), Goodman (2016).
- ⁴⁷ Rolland (2015).
- ⁴⁸ Fallon (2015) p. 146.
- ⁴⁹ Djankov *et al.* (2016) p. 25; Overholt (2015) p. 17.
- ⁵⁰ Djankov *et al.* (2016) p. 20 - 25.
- ⁵¹ Lin (2015) p. 2.
- ⁵² Swaine (2014) p. 15.
- ⁵³ Clemens (2015).
- ⁵⁴ Pavlicevic (2015), Fallon (2015), Beauchamp(2015), all refer to Wang and/or Ji on this point.
- ⁵⁵ Fallon (2015) p. 146.
- ⁵⁶ Beauchamp-Mustafaga (2015).
- ⁵⁷ Clemens (2015).
- ⁵⁸ Ikenberry (2016); Zhao (2016).
- ⁵⁹ Kuchins and Mankoff (2015); the recently launched "Reconnecting Asia" project at CSIS.
- ⁶⁰ See, for example, Wethington and Manning (2015), Runde and Savoy (2016), Overholt (2015), Cheng (2015).
- ⁶¹ For example, some scholars argue for a comprehensive strategy to counter Chinese "coercive geoeconomics". See Blackwill and Tellis (2015) p.24; Blackwill and Harris (2016).
- ⁶² See, for example Harris (2016).
- ⁶³ Overholt (2015).
- ⁶⁴ Djankov *et al.* (2016) p. 17.
- ⁶⁵ Djankov *et al.* (2016) p. 26.
- ⁶⁶ Lew (2016), Goodman (2016).
- ⁶⁷ AIIB is projected to loan US \$200BN over the next 10 years, whereas estimates for total BRI lending range from \$3-6TR.
- ⁶⁸ Djankov *et al.* (2016) p. 11.
- ⁶⁹ Overholt (2015) p. 21.
- ⁷⁰ Heath (2016) p. 162.