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CHINA'S BELT AND ROAD: THE NEW GEOPOLITICS OF GLOBAL INFRASTRUCTURE DEVELOPMENT

A BROOKINGS INTERVIEW

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DIRECTOR'S SUMMARY

The growing strategic rivalry between the United States and China is driven by shifting power dynamics and competing visions of the future of the international order. China's Belt and Road Initiative (BRI) is a leading indicator of the scale of China's global ambitions. The intent behind the initiative—either economic or strategic—has raised significant concern in the United States and elsewhere. While Beijing portrays the infrastructure development initiative as a benign investment and development project that is economically beneficial to all parties—and in certain cases clearly has been—there are strategic manifestations that contradict this depiction. Washington is skeptical of the initiative, warning of the risks to recipients and the harm it will cause to America's strategic interests abroad. But many of America's partners reject the U.S. interpretation and are forging ahead with Beijing. Ahead of China's second Belt and Road Summit in late April 2019, Brookings Vice President and Director of Foreign Policy Bruce Jones convened seven Brookings scholars— ***Amar Bhattacharya****,* ***David Dollar****,* ***Rush Doshi****,* ***Ryan Hass****,* ***Homi Kharas****,* ***Mireya Solís****, and* ***Jonathan Stromseth****—to interrogate popular perceptions of the initiative, as well as to evaluate the future of BRI and its strategic implications. The edited transcript below reflects their assessment of China's motivations for launching BRI, its track record to date, regional responses to it, the national security implications of BRI for the United States, as well as potential policy responses. The highlights:*

- *Originally conceptualized as a "going out" strategy to develop productive outlets for domestic overcapacity and to diversify China's foreign asset holdings, Beijing later branded the effort as its "Belt and Road Initiative." While the initiative began with a predominantly economic focus, it has taken on a greater security profile over time.*
- *China's initiative has attracted interest from over 150 countries and international organizations in Asia, Europe, the Middle East, and Africa. This is due, in part, to the fact that the initiative is meeting a need and filling a void left by international financial institutions (IFI) as they shifted away from hard infrastructure development. But there is a real possibility that the BRI will follow in the footsteps of the IFIs, encounter the same problems, and falter.*
- *China has been responsive to requests from recipient countries. This adaptability has made BRI resilient and attractive to recipient governments in spite of popular concerns expressed through the ballot box in multiple countries.*
- *BRI shouldn't be seen as a traditional aid program because the Chinese themselves do not see it that way and it certainly does not operate that way. It is a money-making investment and an opportunity for China to increase its connectivity.*
- *The initiative has a blend of economic, political, and strategic agendas that play out differently in different countries, which is illustrated by China's approach to resolving debt, accepting payment in cash, commodities, or the lease of assets. The strategic objectives are particularly apparent when it comes to countries where the investment aligns with China's strategy of developing its access to ports that abut key waterways.*
- *Japan has long played a quiet but leading role in providing alternative options for recipient countries in need of capital-intensive infrastructure investment. Recently, Tokyo has undertaken significant reforms to elevate its ability to both compete with and complement BRI projects.*
- *China's investments in strategically sensitive ports and its development of an overseas military base in Djibouti are of great concern to the United States. Additionally, BRI projects have caused unease in Washington and elsewhere due to their impact on democratic governance, debt sustainability, and existing international environmental and labor standards. Internationally, a growing number of developing countries are themselves expressing concern about Chinese intent.*

- *U.S. policymakers should adapt American strategy to respond to BRI. Some scholars believe that the right strategy is to multilaterize efforts, while others argue that it is to promote a race-to-the-top dynamic vis-à-vis China. Either strategy requires working proactively with allies and partners to regain the initiative on infrastructure programs, and to pre-emptively ring-fence areas of strategic concern from future Chinese investments. And there need to be increased efforts to foster an independent media in recipient countries that is capable of scrutinizing BRI projects.*

1. THE ORIGINAL RATIONALE FOR THE BELT AND ROAD INITIATIVE

BRUCE JONES: David, you've been involved in the Belt and Road Initiative (BRI) for a very long time. How and why was it initiated? What is a paradigmatic case that you think is emblematic of the real purposes of BRI?

DAVID DOLLAR: The initiative has multiple objectives. It started in the mid-2000s, before it was branded as BRI, and the original idea was China going out and investing abroad. China had accumulated a lot of foreign reserves, so it was lending money at very low interest rates to the U.S. Treasury. Part of the objective of BRI was to use this surplus more effectively.

Infrastructure development had played a big role in China's growth, so Beijing really believed in it. The Chinese noticed serious infrastructure gaps along their periphery, and in places like Africa, so part of BRI was a sincere desire to improve connectivity, and the investment climate more broadly.

Now, a key moment was the global financial crisis hit in 2008-09, when China's exports declined by about a third. Within a few months, the Chinese had to ramp up demand. They mostly did it through domestic investment, stimulating infrastructure investment in China, but that's also the moment when they started doing a significant amount of infrastructure lending externally. A few years later, President Xi Jinping branded it as the Belt and Road Initiative. I call it a branding because I see it as a global program. A lot of its activities are in Latin America or Western Africa, which are clearly not part of any geography of the Belt and Road. But I think the branding has proved to be quite brilliant.

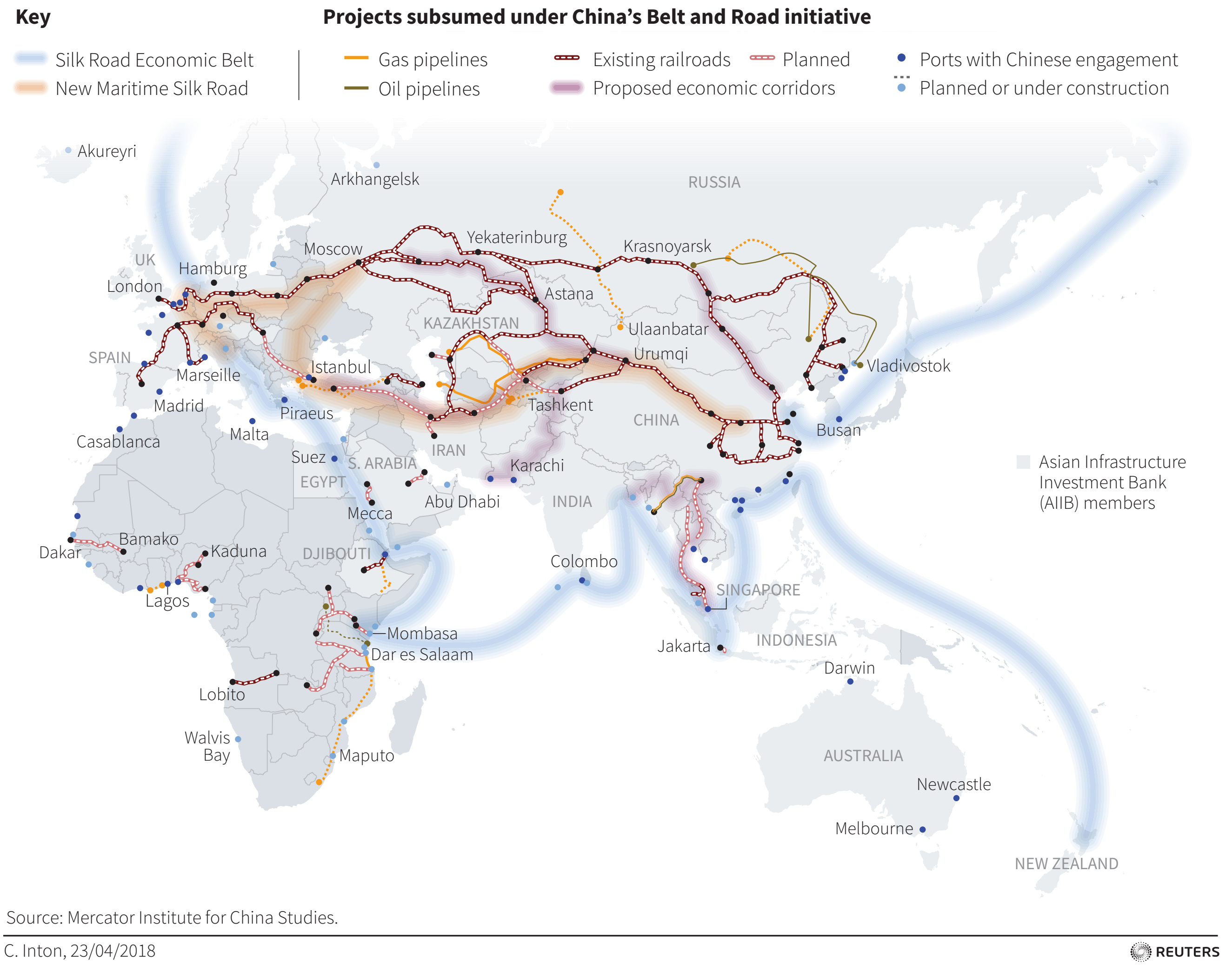
You see numbers thrown around about levels of Chinese funding, and if we want to start criticizing the Chinese, the easiest criticism is they're not very transparent. You'll see a reference to a trillion dollars of investments, but I don't know where that figure comes from. Maybe that's the case if you're talking about over 20 years. But the best evidence we have is that they were lending about $50 billion a year as of a few years ago, and it's probably gone down, not up, since then because their current account surplus has disappeared. So, the Chinese can't play with their own money anymore.

If they are doing large-scale lending, and they may be—we don't know for sure because the data are just not very good—that means they're borrowing on international capital markets, adding a spread, and lending, mostly in dollars, to some clients with poor governance, which is risky. We don't know the amounts.

If I were going to make the positive case for BRI, I would say that many developing countries have very serious infrastructure deficiencies. You can try to attract private investments, but they generally require a very high rate of return, so that's expensive. Originally, the World Bank and other development banks were set up for this core function, but frankly, they've gotten out of the business. Only about 30 percent of World Bank lending is for infrastructure these days. Having run the largest infrastructure program in the World Bank, I can say that it's extraordinarily bureaucratic. Mostly, clients don't like to come to the World Bank because it's just too time consuming. It takes many, many years to get things going. China is offering to finance infrastructure, not at highly concessional terms, at what we would generally call commercial terms, but frankly at interest rates that most of these countries could not get from any other lender, unless they jumped through the hoops to go with the World Bank.

Aside from money, the Chinese have underemployed construction companies so they have a lot of excess capacity. A great example is power generation. They probably have no more than 60 percent capacity utilization for building power generators. So, if they can get some business abroad, it's not just financing. They're going to sell you the generator, they're going to build the generator in their factories in China, and their construction companies are going to go execute the project. Their construction companies are very competitive globally. They win a majority of civil works contracts from the competitive bidding process in the World Bank and other banks. There certainly are issues with BRI—I already mentioned transparency—but it is meeting a need. The key question is: Is China learning from its experience and improving, coming closer to global norms? Or, are they dead set on a different kind of model?

FIGURE 1. REVIVING THE SILK ROAD



Source: Mercator Institute for China Studies.

BRUCE JONES: What is a paradigmatic case of BRI? Is there a good case that illustrates BRI well?

DAVID DOLLAR: I would cite Pakistan as an interesting recent case that also highlights some of the strategic issues involved. The Chinese started building several power stations at the direction of the Pakistani government, then there was a change in government. The new government wanted to change the projects, and the Chinese did so. I think it's an example that projects are mostly driven by what we would call the client. Pakistan is going to give us a lot of good examples, plus the risks of debt sustainability, and other issues.

BRUCE JONES: Rush, you've been steeped in the strategic side of this debate, in terms of basing issues and other questions. Can you speak to that and offer a paradigmatic case?

RUSH DOSHI: I don't think BRI is homogenous, and to David's point, many of the projects precede the branding effort in 2013. The best way to think about BRI is to assess the projects on their own merits, one at a time, and think about the mix of political, economic, and strategic factors in each one. Some of the projects clearly do have strategic motivations in them, and part of that is because some projects don't seem to have any kind of sustainable economic rationale. So, you wonder about those projects, and whether or not they were fundamentally motivated by economic considerations.

On the Pakistan case, which is a great example of where the client has the ability to drive and revise the project, there have been corruption investigations. So, this way of operating is consistent, whether it's a close friend like Pakistan or a country that China doesn't have as enduring a relationship with, and that implicates governance.

On the question of basing and access, a lot of this discussion began in the mid-2000s with the "Going Out" policy. In the Chinese military literature—from China's Academy of Military Sciences, its National Defence University—you see explicit discussion about pursuing access, not bases. Even though these are not the most authoritative sources, there is enough discussion around them to be indicative of where China wants to go. So, why access and not bases? There are few things more politically difficult, from a military perspective, than putting your forces on another country's soil. Access is much easier. It's also less controversial and threatening to China's neighbors.

There are so many examples that one could point to. One of the most high profile examples, and one of the most controversial, is the Hambantota case in Sri Lanka. There you have a port project that Sri Lankans shopped around, and the Chinese decided to go forward with it. Others had said no, because they didn't think there was an economic case for it, given that the Port of Colombo was still operating and had surplus capacity. China built the port project with extensive loans at a 6-7 percent interest rate, which ultimately Sri Lanka couldn't afford.

There also is concrete evidence that certain Chinese actors were paying off elements of the Sri Lankan government to make the project go through, so there's this kickback problem again. Once the bill came due and Sri Lanka couldn't afford the payments, there was a discussion about military access. The Sri Lankans balked, perhaps with prompting by the Indians. But the bottom line is, that was something that China was going to discuss, and it's something that they would have found quite useful. Hambantota sits astride sea lines of communication that run across the Indian Ocean. China has had a long-standing awareness, going back decades, that it needs to have a presence there to guarantee some degree of resource security, specifically for oil and African commodities.

Sri Lanka's Prime Minister Ranil Wickremesinghe shakes hands with Chinese President Xi Jinping as they meet at the Great Hall of the People in Beijing, China, May 16, 2017. REUTERS/Damir Sagolj

AMAR BHATTACHARYA: Let me say three things. First, the initial wave of the BRI was all financed by the policy banks of China, and was driven largely by strategic interests. If China wants to reach the full ambitions of the BRI, it will not be possible to do it with the past model of development interests and financing sources.

Second, therefore, it is very important to shift from a bilateral approach to a multilateral approach. So far it has been one country at a time, one corridor at a time. The BRI in design and concept is a multilateral approach, but the way it has been approached so far, decisions have been taken a bilateral basis. So, one of the key questions is how does one multilateralize the BRI? How does one bring in transparency and better governance?

Third, how do we ensure that the infrastructure that the BRI is creating is fit not just for people, but for the planet? If you look at the scale of the investments that will take place, it is quite possible that the investments will take us way out of the bounds set by the Paris Climate Agreement as far as emissions are concerned. There is a big initiative underway on the greening of the BRI. There are discussions underway within China to come up with the green financing principles. One of the ways we can get participation on this is through multilateralization. Instead of opposing and obstructing, I think the approach should be, how can we multilateralize the BRI and bring better governance, disclosure, and transparency into the process?

BRUCE JONES: I want to make sure we don't conflate the issues of impact on governance and issues of strategic intent. It seems to me that it's perfectly possible to go into a foreign country and engage in corruption and poor governance for economic reasons. It's possible to go into a country, not engage in corruption, and still be pursuing access. So, those two things get discussed as if they're synonymous, but we should be clear that they are not.

HOMI KHARAS: We also should not mistake BRI for an aid program. Sometimes people try to compare BRI with the Marshall Plan, or something like that. From a Chinese point of view, BRI is a way of making money, principally for their banks. China has one of the largest financial systems in the world. Chinese banks in aggregate have maybe $35 trillion worth of assets. They've got almost no foreign assets. So, how are you going to get a better balanced portfolio? One way is to go abroad and try to have dollar-denominated assets.

I think there was a big push to see how they could make money, not just with the stimulus domestically, which I think all Chinese leaders knew had some limits, but then supplementing it by generating aggregate demand abroad. How are you going to do that? Most of these developing countries don't have the money to pay upfront, so China has to provide a package with financing. But that finance is not concessional, it's not cheap. One major critique of the BRI from recipient countries is that, in the negotiations, the Chinese have put almost all of the risk onto the recipient country, meaning that Beijing is getting decent rates of return, minimal levels of risk, and is using political power in order to drive down the risk of non-repayment. I think we have to see these as money-making investments for the Chinese.

Especially after the financial crisis, China also sensed an opportunity to take advantage of what was seen as disarray in the West to pursue some strategic objectives. This can be seen, to a certain degree, by the countries that were chosen for this type of investment. It starts with the hinterland, it starts with Southeast Asia, it starts with Pakistan and access to the sea. It obviously goes into Central Asia. There were a few other pieces of it in Africa, and increasingly in a couple of commodity-producing places in Latin America, where they're trying to secure either oil or essential foods or minerals. So, when people view the BRI as if it were traditional aid, they misrepresent the original purpose and motive. There's never been much of a secret about China's intentions. It's just not the way in which Western aid agencies typically operate.

2. THE OPENING CREATED BY INTERNATIONAL FINANCIAL INSTITUTIONS

BRUCE JONES: Homi and David, why are we seeing changes in other international financial institution lenders on this? Why is it that the World Bank isn't still funding infrastructure? What created the space for China to play this role?

DAVID DOLLAR: For most of the big existing multilateral and development banks, like the World Bank, the United States is the largest shareholder, or in the case of the Asian Development Bank (ADB), co-equal with Japan. The general point is that rich countries own the majority of shares, and the tendency over time has been for these institutions to create gold-standard environmental and social safeguards. That sounds very nice, but it means that major infrasturucture projects have detailed regulations that impose costs on borrowers, for instance when we had to move 110,000 households for an elevated road in Guangzhou.

On the environmental side, the safeguards require lots of detailed studies, which creates an incentive problem. The World Bank is very client-driven. What are clients asking for? They're asking for budget support, they're asking for health and education. They typically don't ask for big infrastructure projects anymore because World Bank regulations make them too costly.

HOMI KHARAS: The World Bank, encouraged by its major shareholders, started to develop a different view of development—that development was driven much more by policy reform and institutional strengthening than by hard infrastructure—and therefore shifted the focus ofits activities into those areas. The bank had lots of experiences with infrastructure being built, countries being unable to maintain it, countries being unable to operate it, and in many instances countries being unable to generate the scale of activities that would make these kinds of investments profitable. So, the history of large infrastructure financing by the World Bank is not brilliant.

There was a general sense that it needed to shift away from these kinds of projects, especially in countries where it wasn't getting the necessary return. The principal shareholders pushed that because, starting in the 1990s, civil works contractor from advanced countries largely stopped winning international competitive bids. Heading into the 2000s, they stopped winning any bids for the actual capital machinery, like turbines. Heading into the 2010s, they stopped winning any of the bids for the design and engineering. They were essentially out of the implementation of these projects.

So, if you just look at the procurement, you'll see that in infrastructure projects, essentially developing countries were winning all of the projects, across the board. So there weren't as many incentives for the major shareholders compared to what they had before.

3. THE TRACK RECORD OF BRI

BRUCE JONES: David, does Beijing have a better track record on implementation than the World Bank on some of these issues?

DAVID DOLLAR: It's early days, so you could tell a narrative that China is following the history of the World Bank. I would add on to what Homi said: I think the World Bank was indiscriminately building infrastructure around the world in the '60s and into the '70s. The lesson I took from this is that if you built infrastructure in a relatively well-governed place economically, with rule of law and free trade and macro stability, you got high returns. If you built it in a very poor governance environment, there was a different outcome. The evidence suggested that the success of the World Bank projects depended on the economic policies and governance environment.

China is currently lending indiscriminately. I don't think it has a geographic plan. Beijing is lending to Venezuela and Argentina, and recently quite a bit to Brazil. In Asia, countries like Indonesia have reasonably good governance, while Iran has very poor economic governance. So I think China will probably replicate the World Bank experience. It will find its projects not working out and debt sustainability problems in some countries, which is what the World Bank found. Then the Chinese will have to forgive the debts, which is what the World Bank had to do.

BRUCE JONES: Do you think they will?

DAVID DOLLAR: Yes. They have a history of debt forgiveness.

BRUCE JONES: Homi, can you say a word on that? I don't think that's well understood.

HOMI KHARAS: China has a very different way of resolving debt. Some of it is direct debt forgiveness, but very often, you also have contracts that say in return for debt forgiveness, China will accept payment in commodities instead of cash, or in return, China will accept a lease of the asset. Beijing is prepared to take payment in many different forms other than just cash. That's actually quite different from a financial institution like the World Bank that, as far as I know, has only ever taken payment in the form of cash. And if you don't have cash, you can defer, you can build up arrears, and you pay interest on the arrears, but you still have to end up paying cash.

RYAN HASS: This is an important point. Much of the U.S. government's narrative on the Belt and Road Initiative has been built around debt-trap diplomacy. I worry we are making an argument that is more persuasive to ourselves than to others. In other words, Hambantota is a real case, but empirically it is the exception, not the rule. One of the things this conversation has highlighted is that even if you aren't persuaded by the debt trap arguments around BRI, there are other serious concerns—corruption, erosion of environmental and labor standards, debt sustainability, and challenges to transparency. These are real-world observable problems that might have more resonance with recipient countries than the debt-trap argument that we are so wedded to at the moment.

China's Foreign Minister Wang Yi delivers a speech at an international forum on the "Belt and Road" Legal Cooperation in Beijing, China July 2, 2018. REUTERS/Jason Lee

4. REGIONAL RESPONSES TO BRI

BRUCE JONES: Let's talk about responses in the region. Many of the early recipients of Chinese assistance are in Southeast Asia. How has their view of this initiative evolved?

JONATHAN STROMSETH: I see both economic and strategic aspects in BRI projects in Southeast Asia. In recent years, China has been prioritizing a highly proactive form of peripheral diplomacy, with the goal of turning neighborhood areas like Southeast Asia into a community of common destiny. China frames this concept in terms of inclusiveness and win-win cooperation, but outside of China, it is increasingly seen as a strategy for integrating neighboring countries into a Sino-centric network along different dimensions. Economic statecraft is fundamental to this approach, and BRI is by far the most visible platform. Beijing is using both economic inducements and coercion to promote a whole range of projects that provide leverage to China, whether it's dams, railways, ports, or pipelines. This is particularly apparent in mainland Southeast Asia, feeding concerns that China is trying to create a sphere of influence in that subregion.

At the same time, Southeast Asian countries have largely welcomed BRI from a strictly economic standpoint. They need infrastructure and want investment. But now unease is growing. In a recent survey across the Association of Southeast Asian Nations (ASEAN) conducted by the ISEAS-Yusof Ishak Institute in Singapore, 70 percent of respondents said their governments should be cautious in negotiating BRI projects to avoid falling into unsustainable financial debts with China.[1] In Malaysian elections last year, Dr. Mahathir bin Mohamad defeated Najib Razak, in part, by openly campaigning against Chinese influence. These issues have also come up periodically in the run-up to April 2019 national elections in Indonesia, where the campaign of opposition presidential candidate Prabowo Subianto has suggested he will review Chinese BRI projects if he wins. Despite this, however, demand for investment from China hasn't seemed to have slowed much in the region.

I would like to point out that there appears to be an emerging dynamic of mutual learning between Southeast Asia and China. ASEAN nations are getting smarter in the way they're managing BRI, with Indonesia, Malaysia, and Vietnam seen as examples. Indonesians are looking increasingly at environmental and social impacts, for instance, and are monitoring local labor content in BRI projects like high-speed rail. Vietnam is making sure its national debt to GDP ratio doesn't get too extreme. But I also believe it may be shortsighted to underestimate China's capacity to learn from its implementation mistakes, make adjustments, and preempt criticisms from the region going forward. In other words, there's a mutual learning dynamic at play that could make BRI more sustainable over the long-term.

5. JAPANESE RESPONSE TO BRI

BRUCE JONES: Japan has become a major player on BRI from two different perspectives. First, you see Japanese companies looking to co-invest with BRI. We also see the Japanese strategic community very concerned about the initiative. What is Japan's perspective, and how is it evolving?

MIREYA SOLÍS: Japan has been providing, in a leading role, infrastructure finance to the region for decades. So, there's a temptation to think that everything is a knee-jerk reaction to the Belt and Road Initiative, but in fact, Japan has been in the lead for decades. Japan for a long time has held the view that infrastructure finance is critical to economic growth. In fact, China was a very large beneficiary of Japan's support. For Tokyo, it was about diplomacy, reinserting itself back into the region, but also about economic opportunity. In the early days, many of the projects were about natural resources, but also about creating infrastructure for markets, so that Japanese companies could have attractive trade and investment opportunities. Fast forward to today and it is still about economic opportunity, but with a new geopolitical consideration.

First, the economic angle. The Japanese economy has to contend with very significant demographic challenges. The economy is experiencing an aging and declining population, and therefore external demand is essential for Japan's prosperity. One of the things that Japan did as an aid donor over time is that it converged to the standards of the Organization for Economic Cooperation and Development, and proceeded to untie aid. That made it very challenging for Japanese companies to successfully win bids for infrastructure. So, even before China articulated its Belt and Road Initiative, there already was a whole-of-government approach in Japan to promote the export of infrastructure systems, because Tokyo believes that is a major stimulus to the domestic economy.

Nowadays, the geopolitics are very different from the early stages when Japan was providing infrastructure finance. Japan's nightmare scenario is an Asia dominated by China, and with the United States in retreat.

One of the tools that the Japanese government has in economic statecraft is infrastructure finance, and it is deploying it actively. We don't know the annual disbursement numbers for China's BRI, but the Japanese government has talked about $200 billion to be disbursed in five years, which is roughly equivalent to the numbers David mentioned for China. Yet, China gets all the attention while Japan is very active in this space.

We should also keep in mind that it's not just about the role of governments, but also the role of the private sector. When you look at global statistics for project finance, the three largest Japanese megabanks are in the top five across the world. The corporate sector in Japan has deep pockets, they're mobilizing it toward infrastructure projects, and we shouldn't lose sight of that.

Japan wants to make sure that Asia has alternatives and help the region avoid overdependence on any one source of funding. Japan also sees infrastructure finance as the answer to how you bring the United States back to the region. It's not the only the answer, but it's an important one. Focusing on infrastructure allows you to leave out discussion of the trade deficit, which completely takes the oxygen out of the room. When you have an infrastructure discussion, then it gets framed around opportunities. The BUILD Act and so forth are very welcome in Japan and across the region because of the potential to create a win-win agenda. And therefore, for Japan, infrastructure discussions help to anchor the United States in the region. Now, that's the broader context of economic and security objectives in Japanese thinking.

Japan has had four major responses to BRI. First, Japan realized that it was deficient in its marketing, in terms of providing a vision and a concept. Japan has been offering infrastructure finance for decades, but there was nothing that told you what Japan stood for. That's where the Partnership for Quality Infrastructure comes in, an effort to distinguish Japan's approach.

Second, Tokyo streamlined and fortified how it finances infrastructure projects. The Japanese expanded the ADB's lending capacity and reformed the Japan Bank for International Cooperation so that it could undertake projects with greater tolerance for risk. They also made the approval process for loans faster, in an effort to address the fact that many of these development banks are bureaucratic and take too long to make a decision.

Third, Japan is now in the big leagues of multilateral economic diplomacy with standard-setting capacity. So, in every forum you can imagine—the East Asia Summit, G-7, Asia-Pacific Economic Cooperation (APEC), and G-20—Japan is advancing the quality infrastructure notion, with a set of principles that it wants everybody to endorse. The idea is to promote conversion toward these standards, which are interesting because in many ways, they reflect the weak points of China's lending practices. Tokyo emphasizes transparency; debt sustainability; non-exclusivity; local impact, both in terms of hiring of local workers and technology transfer; social and environmental impact; long-term fit with the developmental strategy of the recipient country; resilience to natural disasters; and efficiency in terms of the life of the project. Japan is telling the recipient countries that if they factor in how long the projects will last because of their high quality, then it's actually a cost-effective investment.

Last, but not least, Japan has now teamed up with different countries to advance partnerships on infrastructure finance. Some of these partnerships are folded in as part of the Free and Open Indo-Pacific strategy with the United States, Australia, and India. The other one is with China, and that's very interesting because, again, the Japanese are not saying they draw the line in the sand and will not talk to China. On the contrary, it wants to engage with China without signing on to the Belt and Road.

6. (UN)SUSTAINABILITY OF BRI

HOMI KHARAS: I think this is the right diagnosis, but right now both the Japanese program and indeed in the United States—the BUILD Act—it's all talk. So, it's tough to see these kinds of efforts yielding apackage that will be truly competitive with what China has on the table. There were so many restrictions—Mireya mentioned that debt sustainability is part of that package. The problem with debt sustainability, and this has been an issue for a long time, is that it takes a lot of countries off the table. So, for example, nobody would lend to Pakistan for a long period of time. You're not talking about "competing," you're basically saying, we are not going to do anything, and nobody else should either. That was true of Pakistan, Ethiopia, Kenya, Laos, and Cambodia. So, there's a real problem in the way in which debt sustainability, governance perceptions, and other factors affect the willingness of other countries to engage. To some extent, that is what has opened up a lot of space for China, and not just in developing countries. When the Chinese went into Greece, Greece was not credit-worthy. So, I hear all this talk about constructing these alternative packages, but to me, it just sounds like talk.

DAVID DOLLAR: If you follow the strict IMF debt sustainability analysis, a lot of developing countries should not be borrowing on commercial terms. The Chinese view is that if you're doing productive infrastructure projects, it can't lead to a debt problem because you're making the GDP grow. This is wrong analysis. For example, if you build a toll road, and it's widely used and tolls are collected, how can it contribute to a debt problem? The answer is very simple, you collect tolls in local currency but you owe U.S. dollars. If there's some kind of external shock, what looks like a good project in the micro sense actually can't be financed externally. But there's an interesting issue here. It's possible that the IMF is being too conservative, and that China may very well win a lot of friends around the world with the view that it can take more risks. At some point it may discover that there are quite a few debt crises. I predict China will end up forgiving a lot of the debt.

There are disagreements within Chinese ministries about this. The central bank, which is worried about this, is giving $50 million to the IMF as a grant for training officials in Belt and Road recipient countries on debt sustainability analysis. I think they're worried about Chinese banks potentially taking a big hit. If I'm right and they end up having to forgive debt, that's going to be a problem for the Chinese banks. So, you have one part of the Chinese bureaucracy strengthening the IMF control technology that other Chinese players are essentially trying to get around.

RUSH DOSHI: One of the things I have been struck by is the fundamental resilience of the Belt and Road Initiative. The current narrative is that there's backlash within parts of the region. But all of us have come from different perspectives to make the case that, actually, the initiative has been quite resilient. If you think about rail projects in Indonesia and Thailand that were temporarily suspended, those ultimately went forward. Bangladesh decided at one point to switch from a Chinese company to a Japanese one for a port project, which was a big win for Japan. But another port project will be done, quite likely by the Chinese. Nepal was very concerned that some of these dam projects were expensive, it cancelled one, a new government came in and restored that project, and then went for a bigger rail line project.

One of the most compelling cases was Sri Lanka. After being unable to repay $1.4 billion in loans for the port, Sri Lanka's government not only handed over a 99-year lease, but a year later went back for a billion dollar loan for highway construction. Even in the Maldives where, again, politics intervened, you have a government that's still unwilling to back off some of these key projects. In Malaysia, there's a $20 billion rail project, and the Chinese are now offering—because they are flexible, because they are learning—to cut the price in half, and Malaysia might end up going forward with it. So, recipient countries in general still find the BRI packages persuasive.

The second part is the way in which China is actually modifying the initiative. We are going to hear a lot from Xi Jinping at the BRI Summit this month. But everything he's going to say was already, to some degree, previewed last year at the fifth anniversary of the Belt and Road Forum, where Xi gave a speech about how China is going to learn from its mistakes. Xi made arguments there about high quality, and about the importance of smaller projects with greater local impact. He talked about how Belt and Road has been the big calligraphy; it's time for the fine brush work. He talked about more supervision. He talked about how corporations represent China's image when they're abroad and they need to be more strictly supervised, which is kind of the logical solution in the Chinese system, both through the party and through the state. And there are new state institutions to engage in that supervision. So all of this suggests that there has been a recognition that there is a problem.

JONATHAN STROMSETH: We're also seeing greater demand from U.S. allies and like-minded partners, such as Japan and Australia, for the United States to become more economically involved in the region, especially in infrastructure. There are concrete examples of this. At the APEC meeting in November 2018, the United States joined a partnership with Japan, Australia, and New Zealand to build a $1.7 billion electricity grid in Papua New Guinea. Could this type of initiative be replicated in Southeast Asia, particularly in mainland Southeast Asia where Chinese economic influence is growing so fast? The United States has also signed a memorandum of understanding with Japan and Australia to catalyze quality infrastructure in the Indo-Pacific. Such agreements and platforms tend to languish over time, but it would be great if these could be operationalized quickly, perhaps leveraging the new BUILD Act.

HOMI KHARAS: Well, unfortunately, the BUILD Act had potential, but there have been restrictions in terms of the amount of equity that can be put on the table. Almost all of its current lending is to upper-middle-income countries. The idea that this is suddenly going to be transformed into an entity that will compete in a quantitatively significant way in some of these places is misleading. I think, if it happens, it's going to take many years. Again, it's the right diagnosis, people are trying to put together these things, they're signing agreements all over the place to make their intentions clear, but there's no real muscle or operational capability to drive that forward.

One other point I did want to make is that, sometimes we talk about these things as if they are Chinese projects. It's important to remember that the driving force here is recipient country governments and China is responding to that. Now, if those recipient country governments are less concerned with their citizens' welfare, you may very well have projects that do not actually contribute to the recipient's welfare. But from a certain perspective, the Chinese don't worry themselves with that fact. They simply ask, is this responding to what a potential client has asked me to do, and will I get my money back?

BRUCE JONES: They have a much deeper attachment to core sovereignty discussions in those terms. The view of the government as distinct from the view of a wider set of actors in the society is going to be determined in Beijing in a way that we here might interpret as inattentiveness to civil society, but Beijing isn't as troubled by those things.

HOMI KHARAS: Absolutely right. The whole way of doing a project starts with the agreement on the top, which is then left to the technocrats to sort out the details. That's exactly the opposite of a traditional multilateral development bank that works hard on sorting out all of the technical issues first, before presenting the project to the country's parliament for approval. It's just a very different way of working.

MIREYA SOLÍS: When talking about partnerships between Japan and China, I characterize it as diplomacy by memoranda. There are memorandums of understanding here and there, but what actually gets implemented remains to be seen. All of this is very incipient. If you look at these memorandums, many of them go back to fall 2018 when Prime Minister Shinzo Abe traveled to China. That was the first time in seven years that the Japanese leader went to China. So, there was a lot of interest as to whether this meant that there was a new form of the bilateral relationship, and how Japan was positioning itself vis-à-vis the Belt and Road Initiative.

They signed 50 memorandums of understanding on business-to-business cooperation in third countries. So they are very, very dry, and there's a reason for that. It's because neither country wants to sign up to the concept of the other country. Japan will not endorse BRI, and China will not endorse the Free and Open Indo-Pacific.

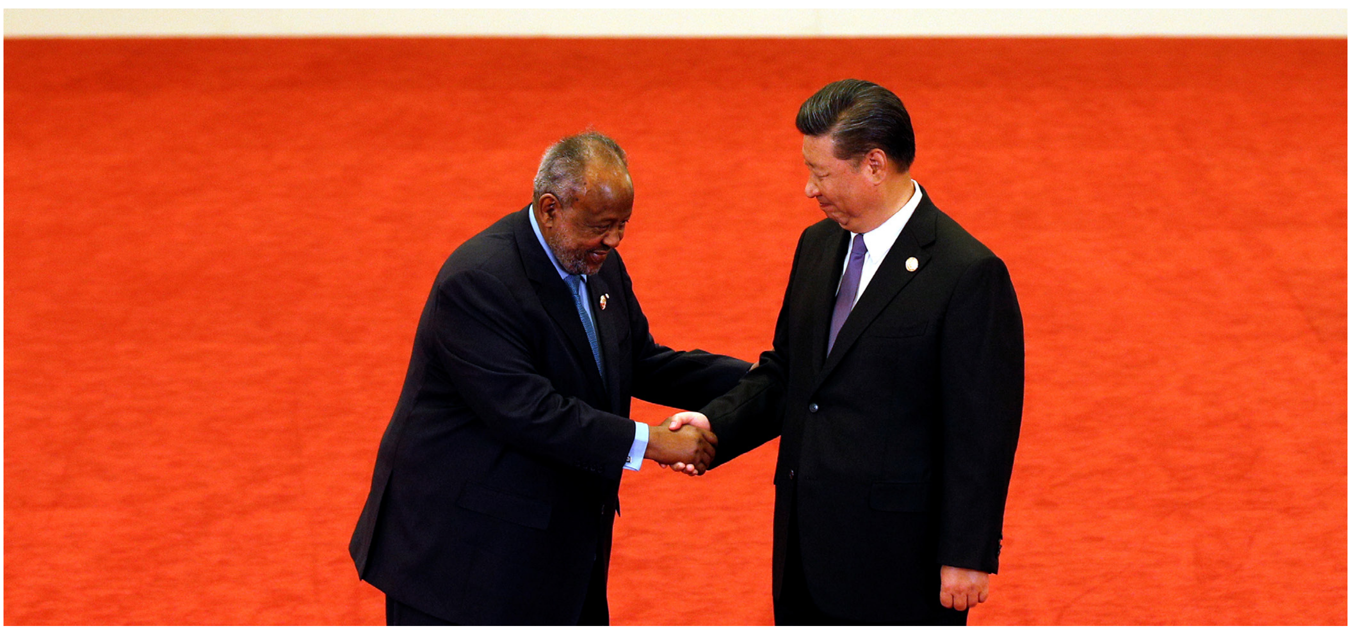
7. NATIONAL SECURITY IMPLICATIONS OF BRI

BRUCE JONES: One of the things that drives American strategic concerns about some of these issues is the emphasis on some of the Chinese port acquisitions. Maybe there's a great return on investment, hence the pressure on Djibouti to sell China its port, but it's questionable, and there was very clear strategic intent in that case. On Piraeus, it will be interesting to hear what the economic case was for that, and for Haifa.

RYAN HASS: Well, I do think there's legitimate reason for concern. When you build Hambantota Port next to Colombo, a port where there's a lot of capacity. When you finance Gwadar Port right next to Karachi Port, where there's a lot of capacity. When you make such an aggressive play in Djibouti. Haifa happens to be where the U.S. Navy goes when it needs repair in the Mediterranean, and so the fact that the Chinese would decide to concentrate their investments in Haifa is cause for concern. So, there are enough data points out there to draw a broad trend line that is of concern to the U.S. strategic community.

RUSH DOSHI: I would add that in Djibouti the strategic community's concern was that, as the Chinese gained more influence in the Port of Doraleh, they could use their operations to restrict the U.S. ability to operate in Djibouti, period. They could effectively make it impossible to do certain kinds of operations. It's unlikely that these kinds of muscles would be flexed in most peace time strategic contingencies, but the question is whether they would be flexed when there's a real crisis. It seems pretty hard to imagine today, but when a crisis occurs, it's a little bit less complicated to imagine.

The Port of Colombo is particularly important as a transshipment hub for India. A lot of India's shipping has to go through Colombo in order for it to reach Indian ports. And it creates a logistical choke point. We've often focused on the geographic choke points in strategic competition, but there are logistical ones as well, and those are often going to be ports. So, the map of the way in which you might project influence and power across the world changes as the nature of politics changes. At one point coaling stations really mattered, at another point choke points really mattered, and in the future, it could be that extremely advanced sophisticated transshipment hubs and logistical hubs really matter. And that's not even getting to the question of data or internet infrastructure or 5G.



Djibouti's President Ismail Omar Guelleh, left, shakes hands with Chinese President Xi Jinping during the Forum on China-Africa Cooperation held at the Great Hall of the People in Beijing, September 3, 2018. Andy Wong/POOL Via REUTERS

BRUCE JONES: Even then, the Chinese moves can be portrayed in two ways. They can be seen as a strategic basing play, which is probably valid. They can also be seen as China's economy, like our economy, is fundamentally dependent on the flow of goods, on sea-based trade, and that they have a stake in securing that flow and they are laying the infrastructure to play a role in securing that flow, the way we have an infrastructure to secure that flow. That can be highly competitive with us, it's possible there's a *modus vivendi* there. But it seems to me even in the ports issue, it goes a little bit to deeper questions about their longer-term intentionality.

RUSH DOSHI: I'll just add one other fact: There is empirical information we can use to distinguish between these different motivations, which is the discourse within China about these ports. There is a long-standing political and military discourse in China that emphasizes access as opposed to bases. If you looked at what they talked about in 2005, they're doing it in 2020. There is a case to be made that some of this is very clearly strategically motivated.

BRUCE JONES: Clearly there's a drive to position Chinese technology firms to play a significant role in the development of next-generation technologies. There's technology acquisition. What are the perspectives on this, both strategic and economic?

DAVID DOLLAR: But does it have anything to do with the Belt and Road? It seems to me that China's technology play is about buying in the United States, buying in Europe, maybe some cyberattacks on American, European, and Japanese companies. I'm a little bit skeptical that most of this infrastructure we are talking about has real technology standards issues. A lot of what they're financing are power plants, for example. I'm skeptical that there are real standards issues in transport and power, where most of the money is going.

Now, an interesting question is, what's happening with financial technology? That's an area where, potentially, China could make a big play in the developing world. It seems like there will be a lot of potential for Chinese companies, like Alibaba, Tencent, and some connected with Chinese banks, to expand, but I actually don't see that happening so far.

RYAN HASS: A lot of people who have anxiety about the Belt and Road Initiative see it as a vector that the Chinese use to push into countries, to compel them to adopt or accept Chinese practices—whether it's internet sovereignty, the use of surveillance technology for domestic security, or Chinese 5G standards—and that this could be the leading edge toward export of some of the repressive tools the Chinese use at home.

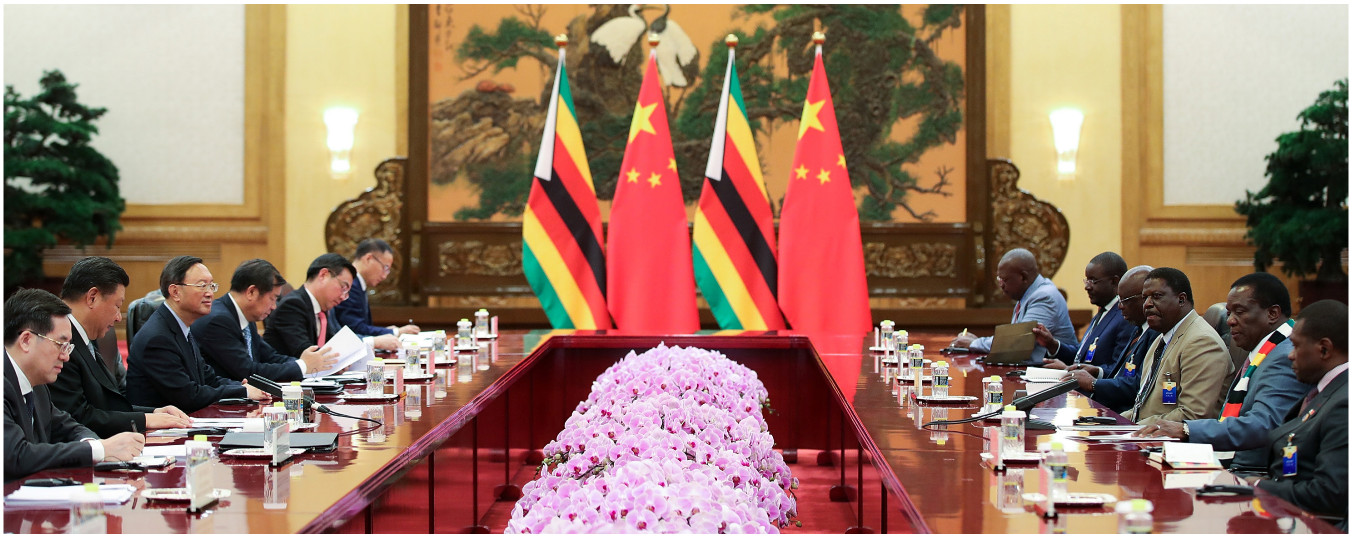
DAVID DOLLAR: I see the Chinese as being indiscriminate. If you look at some of the recipient countries we mentioned, some of them are democracies, and some of them are not. So, there is a risk that the more authoritarian countries will want to buy certain things from China, and might partner with China on various things. There's a risk that some of the democratic countries might become less democratic. I think these things are driven by domestic institutions and politics, and I think of BRI being exogenous in a sense. The Chinese are coming in, and they're indiscriminate, so the authoritarians buy certain things that they want to have, and you could argue that might sustain authoritarianism. Whether it undermines democracies, I'm a little bit more skeptical, but that's certainly a risk.

BRUCE JONES: I do think that directionality matters here. I have been watching Mexico very closely recently, and with Andrés Manuel López Obrador (AMLO) now the president, there's no question that there's a desire for a strategic tilt toward China. Whether Mexico will be able to execute that is unclear because of restrictions within the U.S.-Mexico-Canada free trade agreement, but there's no question about intent. However, it's not as if the Chinese tilt or Chinese investment led to AMLO, and AMLO's erosion of the democratic system. AMLO was elected for completely different reasons, very rapidly started to erode the democratic systems, and tilted toward China. The directionality is originating from Mexico. Still, if you're looking at this from a U.S. perspective, the combination of those two things is worrying.

RUSH DOSHI: I'm skeptical that China is evangelically exporting its authoritarian digital surveillance capitalist model as part of a global ideological struggle. I don't know if there's enough evidence for that conclusion. To get more empirical, China is now exporting facial surveillance technology to Zimbabwe, an authoritarian state. But the long-term trajectory of these technologies is to be less labor-intensive. You train the right people, if they're sufficiently motivated, eventually this can become viable.

RYAN HASS: In the case of Zimbabwe, the Chinese also are motivated by a desire to diversify their data pools; they predominantly have Chinese faces in their facial recognition systems now.

RUSH DOSHI: That's a great point. The Chinese will use Zimbabwean faces to get free data that helps them improve recognition of different facial types. Zimbabwe is the easiest entry point into this, and then they can export the technology across Africa. Other clear-cut examples include the export of surveillance and censorship technologies to democracies, including Kenya, Bangladesh, Zambia, and others as well who have expressed interest. I think the appropriate model is, maybe, gravity. It's an attraction in this direction over time, but not exactly an evangelical kind of model à la the Cold War.



Chinese President Xi Jinping (2nd-L) meets with Zimbabwe's President Emmerson Mnangagwa (2nd-R) at the Great Hall of the People, China September 5, 2018. Lintao Zhang/Pool via REUTERS

RYAN HASS: One other byproduct of BRI is that recipient countries have grown less willing to object to Chinese behaviors of concern. So, BRI ends up having a dulling effect on push back on issues like Xinjiang, the South China Sea, or human rights. What BRI recipient country will receive the Dalai Lama, for example?

JONATHAN STROMSETH: In terms of affecting domestic politics, I see Chinese economic statecraft reinforcing authoritarian trends in countries like Cambodia, or inhibiting the consolidation of democracy in Myanmar, but you don't necessarily see the overt promotion of a Chinese political model in particular. China is more interested in ensuring the survival of regimes that are key economic and strategic partners.

BRUCE JONES: The Chinese have a pretty strong interest in eroding the West's stranglehold on the model. If you're in, say, Mexico and you have a domestic crisis, if the only place you can go is to the United States or to the U.S.-governed multilateral institutions, you have no alternative. You can't bed down in an alternative model. Whereas now, there is an alternative financier, so if you take that pathway, you have some place to go. That gives the Chinese an ability to have a card in the game around what the model is, and how that plays out through investments in a variety of different ways.

HOMI KHARAS: I think that just as BRI in its implementation became an offer from China of infrastructure projects in a way that the West was not willing to provide, in some technological areas, you're going to have exactly the same kind of offer. I would not underestimate the power of a solution that will provide finance to small and medium enterprises. There are literally hundreds of millions of small- and medium-sized firms that do not have access to working capital, and governments will find these kinds of solutions enormously appealing, because these are the firms that actually generate jobs. Right now, it's being tried out in Southeast Asia, and if it is successful there, then I imagine there is going to be a big secondary push in Africa and in other developing countries. The technology can help China identify a gap, move quickly to fill that gap, and gain a strategic advantage by doing so.

BRUCE JONES: Brazil is a very important test case to watch. There is increased Chinese investment in Brazil, and at the same time, a new government was elected there that clearly is going to tilt to the United States strategically. And yet again, if you look at Brazilian economic interests, they're completely uninterested in the United States, they're interested in China. So how that plays out in a case like Brazil will be very interesting to watch.

8. POLICY RESPONSES TO BRI

BRUCE JONES: Let's discuss responses. I see two strands of responses, if I think about it in strategic terms. One is a multilateral approach. With the Japanese and the G-20, it's all about trying to pull together common standards and mechanisms, make the Chinese compete with high quality standards, and push for a race to the top. The other is a mercantilist approach, in which the United States, Japan, Australia, and others, can compete in direct terms with the Chinese, either to crowd them out or at least to provide an alternative. I see more U.S. thinking in the mercantilist side than in the multilateral side in the present environment, partly as a reaction to the strategic questions.

Which of those—or what alternatives—should we be thinking about in terms of an American or a broader approach to these questions?

DAVID DOLLAR: My instinct is to encourage the multilateral approach. I think the whole conversation has shown that there certainly are positive aspects of the Belt and Road, but there are disturbing things as well. We are more likely to have successful engagement with developing countries around the idea of improving transparency and debt sustainability. Some countries are going to be more willing partners than others, but I predict they are the ones who'll end up being successful, so I think it's a good strategy for us.

Then, the risk of the mercantilist strategy is that it seems very shallow. We think there are all these problems with Belt and Road, but we want to make sure we get our cut of the action? Frankly, I'm of the school that China will emerge as the largest economy in the world, and more generally, before long, most of the top 10 economies in the world will be developing countries. The United States will still be relatively high. Britain is dropping from fifth to seventh this year, and Japan will drop out of the top ranks before too long. The mercantilist approach, in a lot of ways, is just conceding the future to China.

HOMI KHARAS: If you interpret "multilateralized" as actually establishing rules of the game that everyone including large powers play by, that would be a great solution. And many of the issues that we've been discussing have been because of the distrust that either China or the United States is truly interested in a multilateralized world. If one could construct a bridge to thinking seriously about rules, especially on the economic side, it would go a long way to taking care of some of the problems that we have talked about. That said, I don't actually see that happening, and so if you take that option off, then everything else becomes strategic competition. The unfortunate part about that is that economics is built on the premise of win-win solutions where everybody gains, although they may not gain equally. Politics and geostrategic competition are based on the premise of zero-sum winners and losers. You can't put those two together, and that will probably mean a rocky road for the way in which this plays out economically in the future.

That said, there have been a lot of countries, including good friends to both the United States and China, like Singapore, that have managed to straddle this competition for decades and flourish. It's possible they can do that because they're small, which has certain advantages. But it's also possible that they can do it because they actually understand both sides, take care not to get themselves trapped in the red lines of both sides, and have found that there is a space between the two. I believe in that explanation, and I think that we would do very well to try to explore what that space is, and whether it can be broadened so that other countries can also fit into it.

BRUCE JONES: I had a conversation with the Singaporeans some months back and the dominant line that they always emphasizes is, don't make us choose. I had a very similar interaction with the Djiboutians some months before the port issue. Again they were saying, please don't make us choose. My point to them was, events are going to force you to choose. And that happened, and the Djiboutians were forced, in a sense, to choose, and they chose the Chinese, partly because we were not responsive. What I suspect is that the Singaporean ability to straddle will get much tougher over time.

HOMI KHARAS: Only if either China or the United States forces the issue. I think one of the strategic lessons from Asia is that ambiguity can be useful. Asians, ASEAN in particular, have used ambiguity well for long periods of time.

BRUCE JONES: Logically, that's right. But I watch the dynamics in Beijing and Washington and neither of them strike me as capitals that are particularly good with ambiguity and nuance. There's also sophistication in Beijing and Washington, but both in the end are large, brutish powers. There will be a certain dynamic to that competition that's going to make the nuance and ambiguity and straddling harder over time.

HOMI KHARAS: At the same time, I think both also recognize that they have some common interests, and economics is actually part of that common interest. So, both the United States and China, as the two largest and massively dominant economies in the world, have much more in common than, for example, the United States and the Soviet Union, which did not have economic interests in common and therefore could have an absolute Clash of the Titans, as it were.

BRUCE JONES: The U.S. approach to China isn't going to be shaped too heavily by Singapore in the end. But Japan is different. The United States can't have an ally-based strategic policy toward China without Japan. If Japan continues to want to play both sides, in a good way—it's strategically competitive with China, but it's economically integrated and willing to compete in the kinds of terms we've been talking about—it will be much harder for the United States to force a choice. You can sort of force a choice on Singapore, and even if you lose that choice, you can live with it, but you can't do that with Japan.

HOMI KHARAS: So, both Japan and the EU are basically declining and searching for strategic relevance in this new world, and it could be the case that they team up as a balancing force, a bit of a buffer between the two, and gain some advantage out of that, rather than "choosing."

BRUCE JONES: The European debate about China is changing. Three years ago, the Europeans viewed the situation as just commercial. What's been striking is the degree to which Germany, in particular, is changing its perception of Chinese investments and Chinese presence based on concerns about what they are going to entail for international norms and strategic posture.

MIREYA SOLÍS: I agree that the United States and China can try to force a choice. But I think that the United States has additional baggage, in the sense that, if it identifies China as the main challenge for the region, then it must build a coalition with like-minded countries. It can't pick quarrels on trade issues with its partners by threatening them with national security tariffs; it can't bring exorbitant demands on host nation support. The United States must appear reliable and consistent, and not step back from a negotiated trade agreement. The United States doesn't have that reliability or consistency now. Nobody is as loyal in the region to the United States as Japan, and even Tokyo is keenly aware of this deficiency. So, if you force the issue in this context, people in the region are going to ask, who's going to be around to help us in 10-20 years? Is the United States going to be there for us?

Japan is saying, we talk to all sides. The priority is certainly the United States. With China, it's business-to-business cooperation, who knows what will happen with that. With the United States, it's the Free and Open Indo-Pacific, it's a shared vision for the region. Clearly, Japan is not putting the same level of priority and effort on cooperation with both sides. If the mercantilistic approach means going back to, say, tied aid, and we don't compete because we just force others to buy our products, or we draw lines in the sand saying that if you take that pot of Chinese money, don't talk to us, the United States is going to be declining in influence in the region even more. The multilateralized approach doesn't resonate with the Trump administration, but I see it as the only way to go.

RUSH DOSHI: Even in Asia, as China's different forms of leverage have increased—bilateral leverage over trade and investment flows; structural leverage with respect to the way in which China's economy can shape the global systems others rely on; and then of course domestic leverage through bribery—China is becoming more open to exercising economic power in ways that violate sovereignty. The discussion in China about sovereignty and to what degree it should be inviolable has already changed. That began in 2010. But even just a few months ago, China's embassy in Moscow berated Russian journalists for talking about China's economic weaknesses. It was a strategic blunder. But if you're going to do that to Russia, a partner, then you'll certainly have no problem doing that to Laos or Cambodia, which are beneath Russia's partner status. As China grows more powerful, it will become more capricious in that exercise, and Southeast Asian and other perceptions might evolve with it.

BRUCE JONES: Ethiopia is an interesting case. There you have a long history of U.S. and Western aid involvement, not very successfully except in some sectors. Then they receive a very substantial inflow of Chinese funding around industrialization, road building, and the power sector, quite successfully. The Ethiopian response to the West was to say, you can talk all you want, but the Chinese are actually creating jobs, end of discussion. And that is starting to change. The Ethiopian foreign minister recently called out the Chinese for the pressure they're putting them under financially.

DAVID DOLLAR: How that plays out will be very important. Ethiopia is now in pretty serious debt trouble, so rationally, China should reschedule those loans in a way that reduces the present value.

RYAN HASS: I come at this from the point of view that the Belt and Road Initiative started as a primarily economically driven project that is increasingly taking on a strategic personality. I also accept Homi's point that we are not going to out-China the Chinese in this initiative. So the question becomes, what do we do? My overriding view is that we need to shift from being reactive to proactive. We are constantly being back-footed by China's initiatives. I have four practical ideas for adapting our approach.

The first is to deflate the narrative that China is the only game in town for infrastructure financing. Even in Southeast Asia, China accounted for only a fraction of foreign direct investment in ASEAN in 2016, even with BRI projects included. Second, I would like to see us appoint a special envoy for infrastructure and base that person in Singapore—a person who can travel the region, be a constant presence in discussions at a senior level, and help identify where there are opportunities to build consortiums to compete for projects. Third, I would like for us to engage our allies and friends pre-emptively to ring-fence areas where we would have concerns about Chinese projects that could implicate our strategic interests. Djibouti is a great example. We responded to Chinese efforts in Djibouti but we didn't pre-empt them, and it's just not a winning formula to be constantly reacting. Lastly, we need to rediscover our convening power. When we were concerned about nuclear security, we created the Nuclear Security Summit. When we were concerned about public health, we created the Global Health Security Agenda. Why not do something similar for global infrastructure? Something that is inclusive of China. There's a $94 trillion infrastructure shortfall between now and 2040. China has announced $1 trillion for the Belt and Road Initiative. Let's congratulate them for taking 1 percent of the problem off the table and bring the rest of the world together to try and figure out what to do with the rest.

BRUCE JONES: The Japanese are trying to do that through the G-20. Do you think they'll succeed?

HOMI KHARAS: The G-20 has no money behind it. If you want to have a special envoy, please have some money and muscle behind them. Right now, there is no muscle and money, so it would just look empty.

JONATHAN STROMSETH: To play devil's advocate, there is growing interest in multilateral coordination from U.S. partners in the region, including from Singapore, which has created its own Infrastructure Asia initiative. Perhaps the potential impact of a special envoy could be viewed not just through the lens of resources, but as a signal of U.S. engagement. They could be the straw that stirs the drink and sees whether increased like-minded cooperation is possible on infrastructure and other economic initiatives.

BRUCE JONES: To Homi's point, if you look at where U.S. multilateralism succeeds, it's not only convening power, it's that we are usually the largest spender, too. We dominate the U.N. refugee agency, but we also pay the bill.

RYAN HASS: Congress is not going to allocate money to support the Asian Infrastructure Investment Bank. Congress is not going to allocate money for BRI projects. If the U.S. government is going to have any chance of getting funding from Congress in order to get on the playing field, so to speak, it will be by requesting funding to support a U.S.-led initiative, such as the idea I suggested. Is it going to be a silver bullet solution? Of course not. But it would be a signal of U.S. prioritization and commitment.

RUSH DOSHI: There also are efficient ways to compete. The BRI has struggled in places where there has been some ability for media to report. So, there's an informational component as well. The antibodies are in democracies, the antibodies are in a free press. Where those antibodies are not as functional, China will have a more open field. It goes back to the governance question. Political corruption is a form of leverage. It's not always just for economic purposes, it can be for strategic purposes. Presumably people should be concerned that Chinese companies are buying media across Africa and Australia, and this will lead to a reduction in criticism of Chinese actions. So, the bottom line is that you need to have an information strategy to ensure transparency, and that means protecting or even funding free media across parts of the world, which is fairly low-cost and high-impact.

BRUCE JONES: This strikes me as important. To the extent that China has either a nefarious or indifferent approach to some of the human rights and other issues, it will encounter a developing world that is more sophisticated than the developing world in which the U.S. and the West encountered those issues. These countries are 30 years richer, 30 years more experienced. So, there's much more of a domestic sovereign capacity, civil society capacity, to draw attention to these concerns. If I have a silver-lining hope, it's that this dimension not only puts pressure on the Chinese but also puts pressure on us to respond with high-standards competition, rather than a race to the bottom, which I fear we might do.

JONATHAN STROMSETH: One thing we haven't talked about is how we could engage China on infrastructure and other issues in the future. Under Prime Minister Abe, the Japanese are already engaging China in third countries, at least in a business-to-business sense. In an ideal world, I would like to see infrastructure cooperation materialize in a way that involves Japan, Australia, and other U.S. partners, ultimately providing a platform for re-engaging China from a position of strength.

Finally, I think we should tread carefully when it comes to forcing a choice between China and the United States, especially in Southeast Asia where Chinese economic power and influence is growing exponentially. This could actually be self-defeating for U.S. interests as ASEAN nations look to the future, estimate China's economic footprint in 10 or 20 years, and calculate their likely interdependencies with Beijing. The choice could go against us.

HOMI KHARAS: We haven't put on the table the option of doing nothing. Remember, large infrastructure is really hard to do. It doesn't matter who, it is really hard to do, even in the most sophisticated countries in the world. The Australians have tried to do it domestically themselves, and have made a right hash of it. The United States doesn't even pretend to build infrastructure anymore. Doing it in other countries adds an additional layer of difficulty. I think there is very likely to be a time when we will be talking about this not as a major Chinese success, but as some real problems and issues, and countries will learn this by themselves. So, I wouldn't discount a wait-and-see approach.

BRUCE JONES: In an ideal world of some nimble capacity to intervene more rapidly in strategic cases such as Djibouti and the like, there is some logic in that thinking. I think the Chinese are buying themselves some trouble, just as we did. Again, we did a lot of this in the '50s, and we paid a price for it in the '60s and the '70s.

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Amar Bhattacharya is a senior fellow in the Global Economy and Development Program at the Brookings Institution. His focus areas are the global economy, development finance, global governance, and the links between climate and development. From 2007-14 he was director of the Group of 24, an intergovernmental group of developing country finance ministers and central bank governors. In that capacity, he led the work program of the Group, supported the deliberations of the ministers, and was the principal point of interface with other organizations including the G-20. Prior to his position with the G-24, Bhattacharya had a long-standing career in the World Bank, where his last position was senior advisor and head of the International Policy and Partnership Group. In this capacity, he was the focal point for the Bank's engagement with key international groupings and institutions such as the G-7/G-8, G-20, IMF, OECD and the Commonwealth Secretariat. Through these different positions, Bhattacharya has been engaged in research and policy discussions on the global economy and spillovers, international financial architecture, development financing and the global governance agenda including on the role and reform of the international financial institutions. He completed his undergraduate studies at the University of Delhi and Brandeis University and his graduate education at Princeton University.

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