Executive Summary

In his National Security Strategy, U.S. President Joe Biden outlined his view of global competition with China and the American desire to “work in lockstep with our allies and partners and with all those who share our interests.” But this desire for cooperation faces an obvious problem: Many countries would rather not choose sides, and they gain leverage from playing great powers off each other. The problem is especially acute in regions where America’s emphasis on liberal democracy contradicts the interests of some of the regions’ governments.

This policy brief focuses on China’s engagement with these new “non-aligned” countries in global competition, especially countries in South Asia, the Middle East, and the Horn of Africa. There is a risk of taking Cold War analogies — such as non-alignment — too far, of course. Here we mean countries that prefer a less-than-clear alignment with the United States or China. China’s relationship with Pakistan is examined closely, as it may best exemplify Beijing’s model for dealing with such countries, but it is important to recognize that China has no one-size-fits-all approach to great power competition and, therefore, neither should the United States. In many countries, China has used extensive economic engagement as a prequel and precursor for strategic and political influence — using economic clout to yield a strategic advantage. Beijing’s model is truly global: As one senior Western official put it, “They are putting their pieces all over the board.” The model meets the needs of regional countries that are seeking to diversify their relationships in what they perceive as an increasingly multipolar world. These factors present a challenge as well as an opportunity for U.S. policy.

In regions where the United States cannot count on a country’s preference for the U.S.-led global order, it needs to:

- adopt a flexible approach, eschewing one-size-fits-all postures and prioritizing relationship-specific and region-specific solutions;
- narrow its focuses in the context of global competition to the issues most important to U.S. goals, avoiding sweeping “with-us-or-against-us” postures that may play into competitors’ hands;
- apply robust bilateral and multilateral pressure in the policy realms identified as most important to U.S. interests or values in each relationship;
- leave some space for the Chinese-led model to falter unhindered (China’s posture suffers from some inherent weaknesses with some non-aligned countries; the United States would do well to exercise patience where these weaknesses are most apparent); and
- recognize the importance of diplomacy, including commercial diplomacy, and capitalize on the United States’ and its allies’ advantages in economic engagement.

Understanding the Chinese model of regional influence and strategy

ECONOMIC POWER PROJECTION

China has been undertaking a robust, expansive effort to project economic power, especially via its Belt and Road Initiative (BRI). Over the last decade, the BRI has given out about $1 trillion in loans and other funds for development projects in almost 150 countries, making it the world’s largest official creditor. Major projects include the 10-year, $62 billion China-Pakistan Economic Corridor (CPEC), launched in 2015 and billed as the BRI's flagship effort, and the promised Chinese investment in Iran (potentially totaling $400 billion over the next 25 years, if the plan comes to fruition). (The Pakistan case is discussed in greater detail in Box 1.)

In providing these loans and funding, China helps to meet the acute economic and infrastructure needs of developing countries. And its projects tend to be highly visible to the publics in these countries — bridges, roads, and railways that locals see every day — which further benefits China (and local politicians) when the projects are successful.

However, the BRI has recently been running into difficulties in many parts of the world. The Wall Street Journal reports that 60% of China’s overseas loans are now held by countries considered to be in financial distress. More generally, the economic and governance troubles of many of the countries holding Chinese debt have left China overexposed and overextended. The BRI has also been experiencing slowdowns because of the pandemic. Security has been a third concern. There have been increasing attacks on Chinese nationals in Pakistan over the years, targeting CPEC personnel in the city of Karachi and in the provinces of Balochistan and Khyber Pakhtunkhwa. Security concerns have also undoubtedly acted as a dampener in Ethiopia and other countries that have struggled with conflict in recent years. China has been hesitant to invest in Afghanistan, and predictions that Beijing would jump into the space created by the withdrawal of U.S. forces in 2021 have not proven true.

While China is hesitant to forgive loans (it prefers to push back repayment dates), it has recognized the mounting difficulties with debtors: Two years ago, it signed the Common Framework endorsed by the G-20 that helps coordinate debt negotiations among creditors. China is also reportedly recalibrating and redefining its BRI approach. Lending to Africa has been declining since its peak in 2016 and is now shifting to focus on trade and investment.

And yet, while the BRI has experienced slowdowns and setbacks, it is commonly assumed that the "initiative has succeeded in drawing more countries into Beijing’s orbit over the past decade." This has helped Beijing build political influence and strategic advantage across African, Asian, and Latin American countries. It has also increased China’s soft power; a new study shows that among the 4.6 billion people living in BRI-supported countries, almost two-thirds hold a positive view of China, compared to a quarter (27%) in nonparticipating countries.

Overall, China’s investment model is vastly different than that of the United States: Chinese funding largely comprises loans from Chinese banks and state-owned enterprises. U.S. investment, on the other hand, mostly comes from private companies...
and corporations at their own behest; hence, the investment is harder for U.S. policy to control. China’s model also emphasizes commercial diplomacy more. According to one estimate, in embassies and consulates around the world, for every one U.S. post focused on commercial matters (trade and investment), China has three or four posts.8

Trade is certainly part of the picture: China’s trade with Africa last year stood at $261 billion, more than four times the volume of U.S.-Africa trade ($64 billion).9 And China’s trade with Saudi Arabia has eclipsed U.S.-Saudi trade for years. During a visit to Saudi Arabia in December 2022, Chinese President Xi Jinping received a lavish welcome and the two countries signed a “comprehensive strategic partnership agreement.”10 For many countries in South Asia, the Middle East, and the Horn of Africa, our analysis of trade data from the World Bank shows that imports from China have dwarfed imports from the United States, with countries’ exports to China and the United States being a more mixed picture. Thus, there are opportunities for both the United States and these regions’ countries to boost trade.

**BASES AND POWER PROJECTION**

The United States’ power projection is far greater than China’s owing to its broader array of global bases. However, China is actively working to build its basing and military capacity, even beyond its borders and the South and East China Seas (see Table 1). Besides China’s declared base in Djibouti, it has also recently ramped up military engagement with African countries, conducting military exercises in Cameroon, Gabon, Ghana, and Nigeria in 2018, as well as a joint exercise in Tanzania and a trilateral naval exercise with South Africa and Russia in 2019.11 Notably, China’s military equipment accounted for 20% of arms imports in sub-Saharan Africa between 2016 and 2020, according to The Economist, while America’s accounted for only 5%.12

China has also secured basing infrastructure in other ways: It now has a global network of over 90 ports “that are partly or wholly owned or operated by Chinese firms”13 and that could grow in the future. Although currently stalled, one $800 million port under construction in Gwadar, Pakistan — in addition to other Chinese investments in the country — will give China strategic access to the Indian Ocean and the Persian Gulf. U.S. officials say that in the last three years, China has “tried to negotiate its own naval outpost in Equatorial Guinea and secretly begun building a military facility inside a Chinese-run port in the UAE,” though construction of the latter is also stalled.14 Many of these arrangements tend to begin as security deals for China’s commercial ventures and economic interests.

There are two divergent arguments being made about China’s building of ports: (1) Beijing is working to establish strategic military capacity for the future, or (2) it is seeking economic advantages to help protect its sea-based trade and the flow of goods.15 But this is a false dichotomy; there is likely a spectrum of motivations at play, depending on the location, and these aims do not contradict each other. At the very least, in many cases, China’s behavior is driven by its desire for strategic basing and long-term intentionality. China’s naval and military ambitions are, to quote Brookings scholar Michael O’Hanlon, the “currency” of great power competition.16
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**Source:** Authors’ analysis, as of October 2022.
U.S. military bases and access agreements in the countries in Table 1 include Naval Support Activity Bahrain in Manama, Bahrain;17 Camp Lemmonier in Djibouti;18 Ain Al-Asad air base in Iraq, an Iraqi base which hosts U.S. forces;19 Camp Arifjan (and other installations) in Kuwait;20 access agreements for the U.S. Navy to use Duqm and Salalah ports on Oman’s southern coast;21 Al-Udeid air base, the largest U.S. base in the region, and others in Qatar;22 an estimated 3,000-troop deployment to Saudi Arabia; a small, anti-Al-Shabab deployment of fewer than 500 soldiers to Somalia;23 and Al-Dhafra air base in the United Arab Emirates.24

The only official Chinese military base is in Djibouti directly adjacent to Doraleh port.25 Major Chinese economic and infrastructure investments in the countries in Table 1 include a 25-year economic cooperation agreement signed in 2021 between China and Iran;26 investments in the Lamu port South Sudan-Ethiopia Transport corridor, which will create infrastructure connections between South Sudan and Ethiopia and to Lamu port in Kenya;27 investments in Duqm port in Oman; investments in Gwadar port in Pakistan as part of CPEC;28 and investments in Abu Dhabi’s Khalifa port in the United Arab Emirates.29

China has also aided Saudi Arabia in building its own ballistic missiles.30 China has discussed large-scale investments in the mining industry in Afghanistan, but these discussions have stalled due to Chinese concerns over the Taliban’s relationship with groups in Xinjiang.31

**DIPLOMATIC ENGAGEMENT**

China’s model of diplomatic engagement differs considerably from that of the United States. Beijing does not interfere with “internal matters” and the domestic affairs (or human rights concerns) of other countries; and it expects, or demands, the same in return on key issues such as its political system, the situation in Xinjiang, and the issue of Taiwan. This model gives China an advantage in dealing with authoritarian governments but perhaps not with some of their publics who are on the receiving end of rights violations. On the other hand, the United States is seen at times to pressure countries — though not completely or even consistently — on democratic principles and human rights. And this approach does not sit well with some country leaders.

**MODELS OF ASSISTANCE**

While China’s assistance model relies on loans for large, highly visible infrastructure projects, the U.S. model relies on grants and aid. In Ethiopia, for instance, the United States is the largest donor of humanitarian assistance, but it is Chinese-financed infrastructure that dominates the cities of recipient countries. Analysis from AidData shows that “for every dollar of aid to low-income and middle-income countries, China has provided $9 of debt. The opposite is true of the U.S.: For every dollar of debt that it provides to low-income and middle-income countries, it provides at least $9 of aid.”32 This means that the Chinese model of assistance is more visible in the form of infrastructure than humanitarian assistance might be, and at the same time that it risks backlash from the newly indebted countries, as has already been the case in Sri Lanka, for example.

The difference in the two models of assistance was also evident during the COVID-19 pandemic, where China sold its vaccines to the developing world early on in the pandemic, which meant that the initial doses received by many countries were Chinese. This led to an initial boost in terms of favorable public opinion for China, even though its vaccines were not donated. By contrast, the United States donated U.S.-made vaccines worldwide but did so later in the pandemic. Of course, U.S. humanitarian assistance can and does often win hearts and minds, as demonstrated in Pakistan after the 2005 earthquake or in Indonesia and Japan after the tsunamis in 2004 and 2011, respectively.33
THE UNITED STATES, CHINA, AND THE "NEW NON-ALIGNED" COUNTRIES

BOX 1

The Pakistan case

China’s approach to global power competition is perhaps best exemplified by its significant relationship with Pakistan. Of course, Beijing’s undertakings are diverse and cannot be extrapolated too broadly, but it is worth discussing the Pakistan case in a bit more detail. For both China and Pakistan, their partnership is the most crucial to their foreign and defense policy. Chinese assistance was vital to the development of Pakistan’s nuclear weapons. The two countries’ militaries frequently train together. China is the largest supplier of military equipment to Pakistan; in the 2017-2021 time period, nearly 47% of China’s arms exports were purchased by Pakistan. As noted earlier, Pakistan’s strategic location gives China access to the Indian Ocean and the Persian Gulf. Pakistan’s engagement with China serves as a deterrent against the use of Indian military power. And both Pakistan and China have unresolved territorial disputes with India.

While China’s strategic and military relationship with Pakistan long predated the economic relationship and the launch of CPEC in 2015, the economic dimension in recent years has truly cemented the closeness of the bilateral relationship. It is no coincidence that China chose its long-time “all-weather friend” to be the flagship location of the BRI. And, as in other countries, the economic relationship via this initiative has, in turn, furthered the defense partnership: The two countries have engaged in joint naval exercises in recent years, and China is helping Pakistan modernize its naval fleet. Under CPEC, China and Pakistan have also reportedly signed a deal to build a new generation of fighter jets. Yet CPEC has experienced slowdowns and bumps in the road for a number of reasons, including security, Pakistan’s domestic politics and economic troubles, and the pandemic. The construction at Gwadar Port has essentially been suspended; the project has been shrouded in opacity but local opposition to the building there has certainly played a role. China’s desire to have Pakistan be the BRI’s flagship location and model hasn’t yet worked out. But neither country is giving up on it; the strategic relationship for both is too significant to do so.

Implications for U.S. strategy: A flexible, targeted, robust, and, at times, patient approach

Given China’s approach toward its regional influence and strategy and the comparative advantages and weaknesses of the current corresponding U.S. posture, in regions not directly impacted by U.S.-China competition, the United States should adopt a flexible, carefully targeted, and, where prioritized, robust policy to advance its goals. It should not strive to have an all-encompassing or one-size-fits-all approach, nor seek to create a coherent bloc of countries supporting its efforts. Instead, it should use its influence, combined with that of its allies, to address issues where U.S. interests and values are most at stake.

The United States should recognize that China’s approach has run into some difficulties, particularly related to the BRI. In taking a flexible and targeted approach, the United States should be patient and leave space for the Chinese-led model to falter.
unhindered. The United States and other G-7 countries recently announced the Partnership for Global Infrastructure and Investment (PGII), a project that aims to generate $600 billion for infrastructure investments around the world over the next five years. But in dollar amounts alone, the proposed project is dwarfed by the BRI, and there are also real questions and skepticism as to whether it will take off.

While the BRI has allowed China to gain political and strategic influence through economic inroads worldwide, rather than competing with the BRI via large ventures such as the PGII, the United States should take a more pragmatic approach. It should set more focused goals to aggressively push commercial diplomacy, economic ventures, and trade and investment in those countries and areas of substantive U.S. strategic interest. By doing so, the United States would avoid accommodating China’s choice of competition points and instead set the parameters of competition itself.

Pakistan — a neighbor to China, India, Iran, and Afghanistan — is one example of a country requiring strategic focus. U.S. diplomacy has been lacking in recent years when it comes to Pakistan, and the difference with the Chinese approach is stark. For example, as of this writing, halfway into Biden’s term, he has not yet spoken to a Pakistani prime minister, while two successive Pakistani prime ministers made trips to China to meet with Xi in 2022 alone. America’s partners in the Middle East, as well as Africa’s growing economies, are now also considering closer relationships with China.

The new non-aligned countries in South Asia, the Middle East, and parts of Africa repeatedly say they do not want to have to choose between the United States and China (a frequent refrain is that they do not want to be caught in a “zero-sum” game). Moreover, the perceived competition for their membership in a U.S. or Chinese “bloc” grants them undue leverage over American foreign policy. The United States should instead play to its strengths. These countries generally welcome U.S. investment and trade. As Senegalese President Macky Sall, also president of the African Union, said in the run-up to the U.S.-Africa Leaders Summit in December 2022, “Let no one tell us no, don’t work with so-and-so, just work with us. We want to work and trade with everyone.”

(Pakistan’s leadership says much the same thing, and the United States, despite Pakistan’s close economic relationship with China, remains Pakistan’s top export destination. BRI program debtors tend to resent U.S. statements about the problems associated with Chinese deals and debt (especially any references to “debt trap diplomacy”) and instead want the United States and the West to offer tangible alternatives. As a Panamanian official pointed out, U.S. officials — after issuing warnings about China — “forget to talk about building things together.”

America should increase its focus on commercial diplomacy. The Biden administration’s appointment of the first State Department special representative for Commercial and Business Affairs is the right initial step in this regard.

On diplomacy, the United States should not refrain from a values-driven approach, but it should of course be aware that China’s laissez-faire approach often sits better with authoritarian leaders of some countries in these regions. In such places, especially where there are substantive U.S. interests, tensions will at times be unavoidable: The United States should focus diplomacy on constructive areas of interest, while still pursuing the often difficult but important emphasis on human rights and democracy.
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