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The COVID-19 pandemic represents another inflection point for China's geo-strategic position, bearing comparison with the global financial crisis and its aftermath. Beijing's behavior and the international response to it, however, are markedly different from a decade earlier. The post-2008 period saw the take-off in Chinese assertiveness that has continued, in escalating forms, to the present day. But it also entrenched China's global reputation as a source of economic stability when the chips were down. In addition to Beijing's constructive handling of the financial crisis itself and the sovereign debt crises that followed, its domestic stimulus ensured that the Chinese market remained an engine of growth amid downturns elsewhere, while China's willingness to provide financing and investment was a source of relief from the austerity pressures many governments faced. Although China was certainly seen as benefiting from the crisis, it was not seen as exploiting it. The effect was to reinforce the perception that Beijing would advance its revisionist interests slice-by-slice rather than in a destabilizing fashion, particularly when the global system faced major shocks.

The contrast with China's handling of the COVID-19 pandemic is stark. Beijing's belligerent diplomatic, economic and military behavior throughout the crisis has been apparent on a striking number of fronts. Its politicization of the provision of medical supplies has engendered considerable resentment, particularly given that the Chinese government is widely perceived as culpable for the failure to contain the original outbreak. In many cases, Chinese debts are now seen as a major part of countries' economic troubles, particularly given that Beijing's opaque, highly bilateral approach to negotiations has inhibited their ability to gain relief from other lenders.

These developments have served to raise the salience, profile and urgency of China policy in a wide range of countries, a level of additional scrutiny and political focus that has not worked to Beijing's advantage. There is a major reassessment underway in many capitals about all facets of their relationship with China, and the forms of cooperation with other partners that will be required to deal with the challenge. While the short-term impact to Chinese interests has already been damaging on matters ranging from 5G decisions to Chinese app bans, the changing political tide in such a wide array of countries is likely to result in more serious lasting consequences.

The picture is not entirely uniform. In a small number of cases, such as Italy, some polls indicate that public opinion shifted in Beijing's favor as a result of its "mask diplomacy"¹. China's early economic recovery again makes its market an important source of revenue for export sectors that are otherwise taking a hit². Beijing has already reached a few initial settlements in its Belt and Road Initiative (BRI) negotiations, as well as providing new financing streams in countries such as Pakistan. Developing countries that are economically beholden to China are treading carefully in their handling of Beijing, however unhappy they may be about their debt situation. Moreover, even where some of the most dramatic recent shifts in thinking on China are underway, this is not translating into an appetite for open confrontation.

Yet even with these caveats, 2020 has represented a setback for Chinese diplomacy and China's global interests. It sets the stage for US coalition-building efforts next year at a qualitatively different level than would have been possible before the crisis.

The battle of narratives

Early in the lifetime of the pandemic, preliminary analysis suggested that China was poised to make diplomatic gains as a result of Beijing's provision of the "global public goods" needed to address it, particularly given the near-absence of a U.S. role in addressing the crisis³. Even then, this underplayed the degree to which China was operating on the back foot given its "original sin" in failing to contain the outbreak, and the widespread attribution of this failure to the functioning of the Chinese political system under Xi Jinping's leadership. Contrasts in the international media were also drawn with the successes of China's neighbors, not least including Taiwan, who did vastly more effective jobs with far less disruption to societal and economic life.

As the pandemic spread, therefore, China did not adopt the kind of humble, *mea culpa*, damage-limitation approach of constructive behind-the-scenes support that might have mitigated the global fallout. It rather decided to fuse its provision of medical supplies with aggressive propaganda and disinformation campaigns in defense of China's political system. Supplies of medical equipment were highly publicized, and frequently portrayed as donations rather than purchases. Beijing demanded that countries thank

¹ The picture is complex, however. For a summary of various polls in Italy, see "Italians eye China with favour, new poll shows", *Formiche*, June 2020: <https://formiche.net/2020/06/italians-eye-china-favour-new-poll-shows/>

² See e.g. "VW hails speed of car sales recovery in China", *Financial Times*, Joe Miller, May 6 2020: <https://www.ft.com/content/a9e8b5a4-20c0-4286-8390-57412292221e>

³ See e.g. "The Coronavirus Could Reshape Global Order", *Foreign Affairs*, Kurt M. Campbell and Rush Doshi, March 18, 2020, <https://www.foreignaffairs.com/articles/china/2020-03-18/coronavirus-could-reshape-global-order>

them, while capitals that took political lines that China disliked were subjected to threats that their access to these essential goods would be curtailed. Chinese officials and media outlets also launched open political attacks on democratic governments and institutions, and spread disinformation about the origins of the virus.

Even friendly countries were subjected to political pressures to ensure that their approach to the pandemic was subordinated to the service of Beijing's narrative, such as demands on Pakistan not to evacuate its nationals and to maintain access for flights from China⁴. The discriminatory treatment of African nationals in Guangzhou drew protests from a number of China's most important partners on the continent⁵. There was also a mixed picture when it came to the quality of Chinese supplies and the receptivity towards Beijing's "assistance", from the repeated cases of faulty Chinese equipment to the pushback in countries such as Nigeria to the arrival of Chinese doctors⁶. Far from seeing China as a provider of global public goods, the debate in many countries turned towards questioning whether the very reliance on China as a supply hub needed to be revisited.

But if Beijing's behavior had been limited to the politicization of the pandemic itself, it might at least have been possible for countries to attribute this to a temporary bout of defensive prickliness from an embattled Chinese Communist Party. It has been China's decision to increase its military, economic and political pressure on a range of fronts, rather than pausing to enable countries to focus on the health crisis and its economic fallout, that has changed the picture more dramatically⁷. In some instances, this has just been the continuation or modest escalation of past Chinese practices, including the sinking of a Vietnamese fishing boat and the tagging of a Malaysian drill ship, airspace violations over Taiwan, military activities around the Senkaku islands, and the naming of geographic features in the South and East China Seas. In other cases, Beijing has

⁴ See e.g. "Many countries are trying to evacuate citizens from China. Pakistan is not.", *Washington Post*, February 8, 2020: https://www.washingtonpost.com/world/asia_pacific/many-countries-are-trying-to-evacuate-citizens-from-china-pakistan-says-theirs-are-better-off-there/2020/02/07/e128c37c-48ea-11ea-8a1f-de1597be6cbc_story.html

⁵ "African diplomats protest alleged racism and inhumane treatment of migrants in China", *Globe and Mail*, April 12, 2020: <https://www.theglobeandmail.com/world/article-african-diplomats-protest-alleged-racism-and-inhumane-treatment-of/>

⁶ "Coronavirus: Countries reject Chinese-made equipment", *BBC*, March 30 2020: <https://www.bbc.com/news/world-europe-52092395>; "COVID-19: Nigerian doctors oppose Chinese team's visit Spike in coronavirus cases, deaths in Italy coincided with arrival of Chinese team, says Nigerian Medical Association, April 6, 2020, *AA*: <https://www.aa.com.tr/en/africa/covid-19-nigerian-doctors-oppose-chinese-teams-visit/1794073>

⁷ For a summary see e.g. "China Is Done Biding Its Time The End of Beijing's Foreign Policy Restraint?" *Foreign Affairs*, Kurt M. Campbell, Mira Rapp-Hooper, July 15, 2020 <https://www.foreignaffairs.com/articles/china/2020-07-15/china-done-biding-its-time>

undertaken steps of a more escalatory nature, including a major mobilization along the disputed border with India, in which one altercation resulted in the deaths of 20 Indian soldiers; the coercive economic measures directed at Australia, following its calls for an enquiry into the origins of the pandemic; and new territorial claims in Bhutan. China's imposition of a national security law on Hong Kong also had considerable resonance beyond its immediate implications in the territory, given its clear undermining of Chinese treaty commitments, the extra-territorial scope of the legislation, and the visible rollback of political freedoms in one of the world's leading cities.

There has also been considerable fallout for the BRI. Previous hearings examined the political pushback against the initiative, and the tapering back of new Chinese financing. Now the BRI is at the epicenter of the developing world's debt struggles. In the past, this would largely have been the purview of the Paris Club and the International Financial Institutions but, given its surge in lending over the last decade, China now occupies a far more central role⁸. Beijing was a relatively reluctant participant in the G20 Debt Service Suspension Initiative (DSSI), and continues to operate at arms-length remove from efforts to reach a more comprehensive settlement. China is the largest official bilateral lender for 49 of the 68 low-income countries included in the World Bank's DSSI data.⁹ By dealing with debt renegotiations in a bilateral and opaque fashion it creates clear obstacles to agreements with other creditors, even in cases when Beijing itself has been willing to offer deals. Other lenders, including the private sector financiers whose holdings of developing world debt have increased considerably, are reluctant to reach terms until there is clarity about China's position, and there is considerable aversion to any *de facto* bailout of Chinese lending institutions. There have also been concerns that Beijing will seek to benefit in cases where underlying assets - such as mines - have been included as collateral in loans, such as in Zambia (though it should be noted that speculation of this sort has rarely been substantiated in the past).¹⁰ China claims to have already reached agreements with ten of the twenty least-developed countries, and in certain cases has increased its lending during the crisis, with the China Pakistan Economic Corridor (CPEC) one such notable case¹¹.

⁸ "China's overseas lending and the looming developing country debt crisis", *VoxEU*, Sebastian Horn, Carmen Reinhart, Christoph Trebesch, 4 May 2020: <https://voxeu.org/article/china-s-overseas-lending-and-looming-developing-country-debt-crisis>

⁹ "Maldives at high risk of debt distress from China: World Bank", *South Asia Monitor*, June 27 2020, <https://southasiamonitor.org/china-watch/maldives-high-risk-debt-distress-china-world-bank>

¹⁰ "As Africa Groans Under Debt, It Casts Wary Eye at China", *Wall Street Journal* Joe Parkinson, James T Areddy and Nicholas Bariyo, April 17, 2020: <https://www.wsj.com/articles/as-africa-groans-under-debt-it-casts-wary-eye-at-china-11587115804>

¹¹ "China strikes debt deals with poor nations under G20 scheme", *Financial Times*, Camilla Hodgson, August 30, 2020 <https://www.ft.com/content/6900c595-151b-4cfd-90bb-0be9967b7999>

It is probable that Beijing will reach arrangements for debt rollovers with a longer list of countries in the coming period, simply out of necessity given the dire economic situation many of them face. But the manner in which China is making these deals continues to maintain its leverage. The Maldives, for instance, has seen a partial suspension of its debt repayments to China for four years, but a substantial tranche will only be dealt with in further negotiations¹². Particularly during a period of such vulnerability, countries will feel pressure to be accommodating to China in other areas while the debt issue hangs over them. In some cases this may involve decisions relating to the BRI itself. Even before the pandemic, China was already rebalancing the initiative towards higher priority areas such as digital infrastructure, and some of Beijing's "Health Silk Road" activities have been designed to augment this agenda¹³. Straitened economic conditions are liable to make countries more obliging towards it than they might wish to be.

Yet there is no question that the BRI has taken a hit this year, as Chinese sources acknowledge. The Caixin Belt and Road activity index shows a sharp fall this year. Chinese officials have stated that as much as 60% of its BRI projects have been affected by the pandemic, 20% of them "seriously"¹⁴. An article by the chairman of CITIC Group's board of supervisors, Zhu Xiaohuang and Zhang Anyuan, the Chief Economist of CSC Financial, describes the debt repayment crisis as "the biggest challenge faced by BRI since its creation."¹⁵ Moreover, Beijing will also have to revisit the viability of a number of projects that were conceived in a very different economic landscape, while the overall situation leaves China open to substantial political criticism in the countries concerned. While we have not yet seen serious collective efforts among indebted countries to coordinate their approaches, let alone deal with China in blocs, the pressure to do so is liable to build as the debt crisis worsens.

The changing politics of China policy

In one way, China's behavior through the pandemic has only served to accelerate existing trends. Concerns about various forms of Chinese military, economic and

¹² "China to suspend debt repayment for four years: President Solih", *the Edition*, Mariyam Malsa, June 24, 2020: <https://edition.mv/news/17454>

¹³ See e.g. "China's Digital Silk Road after the Coronavirus", CSIS, Jude Blanchette, Jonathan Hillman, April 13, 2020: <https://www.csis.org/analysis/chinas-digital-silk-road-after-coronavirus>

¹⁴ "China says one-fifth of Belt and Road projects 'seriously affected' by pandemic", *Reuters*, June 19, 2020: <https://www.reuters.com/article/us-health-coronavirus-china-silkroad/china-says-one-fifth-of-belt-and-road-projects-seriously-affected-by-pandemic-idUSKBN23Q0I1>

¹⁵ For a good summary of a number of Chinese sources, see: "How will China handle multiple debt repayment crises?" Ma Tianjie, June 21, 2020: <https://pandapawdragonclaw.blog/2020/06/21/how-will-china-handle-multiple-debt-repayment-crises>

diplomatic assertiveness were already prevalent. Public opinion had moved sharply against China in a number of countries. The risks of debt distress and the problematic consequences of China's non-transparent lending practices had been consistently flagged by the IMF and the World Bank, while the political pushback against the BRI in an assortment of regions has been underway for years. But the current context is very different. Going back to the Asian financial crisis, China had earned a reputation as a source of relative stability during times of shock to the international system, which was augmented during the global financial crisis over a decade later. That reputation has now been shredded. Even countries that have not themselves been subjected to coercive Chinese economic and military measures during the pandemic, or been on the long list of actors that China threatened with them, have reacted against Beijing's behavior. It is one thing to issue warnings around a very tightly defined list of "core interests"; now Beijing threatens the same measures against countries that do not want to include Chinese suppliers in their telecoms infrastructure or that demand an enquiry into the origins of a global pandemic. Equally, while curtailing rare earth supplies in the context of a bilateral dispute is problematic, politicizing or even weaponizing your position as a medical supply hub during a health crisis of this magnitude creates more fundamental doubts about China's reliability.

The pandemic has also seen China cross a threshold in terms of the scale and nature of the coverage it receives, its standing in opinion polls, and the political ramifications that follow from this. In Europe, for instance, China has effectively shifted from being just a "broadsheet" issue to becoming a "tabloid" issue too. Daily stories about Hong Kong, Xinjiang, threats from Chinese ambassadors, faulty personal protective equipment, cover-ups in Wuhan, and other subjects are now as much a matter for *Bild* and the *Daily Mail* as they are the *Financial Times* and the *Frankfurter Allgemeine Zeitung*. This was already in motion as a result of the Huawei debates, which raised the profile of China-related questions not only as foreign policy or business issues but also as domestic security, privacy, and values issues.

Polling conducted during the pandemic indicates that China's situation has deteriorated sharply: 48% of Europeans surveyed in a multi-country poll by the European Council on Foreign Relations say their view of China has worsened during the crisis, with only 12% saying it has improved.¹⁶ Some of the highest numbers - 62% in France, for example - are from countries that have been subjected to some of the most egregious "Wolf Warrior" treatment. This changing political mood is imposing a new set of constraints on decisions even for governments that had been inclined to continue with business as usual. The resolution of the 5G debates in Germany and the UK, for instance, has been

¹⁶ "China, Europe, and COVID-19 Headwinds", European Council on Foreign Relations, Janka Oertel, July 20, 2020: https://www.ecfr.eu/article/commentary_china_europe_and_covid_19_headwinds

determined less by Downing Street and the Chancellery as by members of parliament, who have prevented the German government from moving ahead with its preferred plan and forced a reversal in the UK government's position. Politicians in a number of European countries no longer see the handling of the relationship with China reflecting the interests and values that it should, particularly given the nature of the regime under Xi Jinping. But a number of them are also simply savvy enough to see the political tide turning on China and want to make sure they are on the right side of an issue that they only see acquiring greater salience in the years ahead. As the EU's High Representative for Foreign Policy and Security Policy states in an article that notes China's move from being "assertive" to being "aggressive", "China has undoubtedly become more powerful, but also somewhat friendless"¹⁷. In addition to the setbacks China is facing in Europe, the shifting consensus in New Delhi as a result of Beijing's handling of the situation in Ladakh is perhaps the most consequential and damaging development for China's long-term interests. It is clear that China has achieved certain tactical gains at its disputed border with India. But this comes at the expense of what Indian policymakers describe as a complete loss of trust, which will result in a significant shift in the country's policy towards China.

Perhaps the most striking short-term consequences in both Europe and India have been in the digital space. A year ago, Beijing was still relatively confident about consolidating its position in the largest developing market - India - as well as the largest advanced market - Europe - despite the challenges it was facing in the United States, Japan, and Australia. 5G decisions were still largely coming out in an acceptable place, while India was the single major non-Chinese market for many consumer-facing applications as well as a focal point for Chinese tech finance and collaboration. In addition to the growing number of Huawei phase-outs that China is now facing, the Indian government decision to ban a lengthening list of Chinese mobile apps, as well as tightening its approach to inbound investments, is a significant step in the rebalancing of China's prospects in the emerging technology competition. The U.S. squeeze, particularly on semiconductors, is playing a critical role in the process too - and this was the reason cited by the British government for its own Huawei ban - but similar decisions would have been reached even without it.

Policy responses

Nonetheless, we are still in the early stages of the China rethink that is underway in many capitals. A comprehensive stock-take is only likely to be possible after the results of the US elections in November provide greater clarity as to what kind of strategy and

¹⁷ "China, the United States and us", EEAS, Josep Borrell, July 31 2020:

https://eeas.europa.eu/headquarters/headquarters-homepage/83644/china-united-states-and-us_en

partnership in dealing with China can realistically be expected from Washington. But the direction of flow is already clear in several areas. Many countries are already revisiting their approach to certain forms of economic dependency on China, especially their supply chains. The Japanese government announced its own scheme to provide financing to companies to move their production out of China, and has launched an initiative to ensure the resilience of supply chains in the Indo-Pacific with India and Australia¹⁸. The EU is undertaking its own review of these issues, and has already launched an action plan for critical raw materials, with Chinese-sourced imports one of the major focal points¹⁹. The UK government, through "Project Defend" is making plans to reduce the country's reliance on China for vital medical supplies and other strategic imports, as well as identifying other economic vulnerabilities to potentially hostile foreign governments²⁰.

The relative balance of openness of many economies to Chinese investments, technology, influence and information activities was shifting before the pandemic but there is now even greater urgency, with many governments concerned to avoid a repeat of the post-financial crisis situation that saw Chinese acquisitions of a number of strategic assets. The EU announced new proposals for instruments to target Chinese subsidies that goes beyond even measures that the United States undertakes, including the use of the EU's powerful competition policy instrument.²¹ There is also a toughening approach to some of the matters of the highest sensitivity for China - Xinjiang, Hong Kong and Taiwan - perhaps best exemplified during Wang Yi's recent visit to Europe, which saw the second-highest-ranking Czech official visiting Taiwan, formerly friendly figures such as the Italian foreign minister publicly raising concerns about Hong Kong, and both the Xinjiang and Hong Kong issues becoming a repeated focus in press conferences and bilateral meetings. The material consequences have so far been limited, with most governments still focusing on support to Hong Kong citizens rather than sanctions, for instance. But the change in tone and diplomatic approach is laying the

¹⁸ "Japan helps 87 companies to break from China after pandemic exposed overreliance", *Washington Post*, Simon Denyer, July 21, 2020: https://www.washingtonpost.com/world/asia_pacific/japan-helps-87-companies-to-exit-china-after-pandemic-exposed-overreliance/2020/07/21/4889abd2-cb2f-11ea-99b0-8426e26d203b_story.html "Japan, Australia and India to Launch Supply Chain Initiative", *Bloomberg*, September 1, 2020:

<https://www.bloomberg.com/news/articles/2020-09-01/japan-australia-and-india-to-discuss-supply-chains-alliance>

¹⁹ "EU sounds alarm on critical raw materials shortages", *Financial Times*, Michael Peel, Henry Sanderson, August 31, 2020: <https://www.ft.com/content/8f153358-810e-42b3-a529-a5a6d0f2077f>

²⁰ UK PM Johnson orders for plans to end reliance on Chinese imports, *Reuters*, May 22, 2020: <https://www.reuters.com/article/us-health-coronavirus-britain-china/uk-pm-johnson-orders-for-plans-to-end-reliance-on-chinese-imports-the-times-idUSKBN22X2WA>

²¹ "White Paper on levelling the playing field as regards foreign subsidies", June 17, 2020, European Commission: https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf

groundwork for a less squeamish and harder-edged set of policies than would have been contemplated even a few months earlier.

The most important shifts though are not the individual measures pursued but the renewed impetus given to coalition-building efforts among countries to address the China challenge. The sheer number of fronts that Beijing has opened during the crisis has made countries less inclined to treat Chinese behavior as a bilateral matter. The UK has floated proposals for a D-10 grouping, an elevation of existing processes in this format among policy planners, to deal with issues such as industrial policy cooperation and support for 5G alternatives. The EU proposed - and the United States accepted - a new US-EU dialogue on China, which is also expected to address wider strategic economic and security questions as well as traditional foreign policy issues. A previously reluctant Germany has embraced the "Indo-Pacific" concept and is now spearheading, with France, efforts to move this agenda forward at an EU level, which will include an upgraded set of partnerships with Japan, India and Australia. For its part, India has signaled a different level of ambition in its economic, military and diplomatic partnerships with the major democracies, and has already moved ahead with steps such as new coordinated naval activities in the South China Sea and proposals for expanded cooperation on counter-BRI efforts. Many of these still-provisional plans are underpinned by heightened cooperation among legislators, with the establishment of the new Inter-Parliamentary Alliance on China, which pulls together members of parliament from Japan to Germany, the United States to Uganda, a notable development.

In general, the political landscape in many advanced economies, as well as critical powers such as India, is shifting in a problematic direction for China. But in much of the developing world, there are greater constraints induced by the economic situation. While most developed countries have the wherewithal to finance substantial stimulus packages and the resources to help fund everything from new industrial policy schemes to re-shoring initiatives, many developing countries are still dependent on outside creditors to see them through this difficult period, and China remains one of the most important. Despite considerable criticism in Nigeria, Zambia and Kenya over the BRI, as well as the protests of many African ambassadors over the Guangzhou incidents, Xi Jinping's meeting with African leaders in June stuck tightly to the usual script²².

There is a similar story in some of the more vulnerable South-East Asian and South Asian economies - indeed, ASEAN as a whole tipped above the EU to become China's

²² Joint Statement of the Extraordinary China-Africa Summit On Solidarity Against COVID-19, Ministry of Foreign Affairs of the People's Republic of China, June 17, 2020: https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1789596.shtml

largest trading partner this year - while ties have deepened among some of China's closest friends²³. Cambodian leader Hun Sen made a point of being the first foreign leader to visit China during the pandemic, and resisted pressure to impose a full or partial ban on Chinese travelers. Laos and Angola appear to have been among the countries set to receive new debt deals, though the details of the agreements remain unclear²⁴. Laos has ceded majority control of its electric grid to a Chinese firm amid its own debt struggles²⁵. In Pakistan, the BRI flagship country, the two sides have moved to revive CPEC after more than two stalled years, with China providing financing for new hydro-electric dams and a major upgrade to the railway line from Karachi to Peshawar²⁶. Russia's economic exposure to China has grown through the pandemic²⁷. This pattern is likely to continue. As the political mood among much of the OECD shifts, China is likely to find itself thrown back more and more on the support of its developing world friends and near-allies, and its burgeoning partnership with Russia. It will also try to ensure that its critics in the developing world are at least restrained by their continued need for a good economic relations with Beijing.

Much as the partnerships among the advanced democracies are seeing some prior inhibitions falling away, so too for China and its friends. During the pandemic alone, we have seen an agreement signed with Cambodia for the use of a naval base, a considerable increase in the investments China is now willing to make in Kashmir under CPEC, and a striking degree of cooperation and coordination on information activities with Russia²⁸. There are evident limitations in the collective value to China of the cluster

²³ "Asean replaces EU to be China's largest trading partner", *the Star*, April 15, 2020:

<https://www.thestar.com.my/news/regional/2020/04/15/asean-replaces-eu-to-be-chinas-largest-trading-partner>

²⁴ World Bank Group President David Malpass: Remarks for G20 Finance Ministers and Central Bank Governors Meeting, July 18, 2020: <https://www.worldbank.org/en/news/statement/2020/07/18/world-bank-group-president-david-malpass-remarks-at-the-g20-finance-ministers-and-central-bank-governors-meeting>

²⁵ Taking power - Chinese firm to run Laos electric grid amid default warnings, *Reuters*, September 4, 2020: <https://www.reuters.com/article/us-china-laos-exclusive/exclusive-taking-power-chinese-firm-to-run-laos-electric-grid-amid-default-warnings-idUSKBN25V14C>

²⁶ "Belt and Road Re-Emerges in Pakistan With Flurry of China Deals", *Bloomberg*, Faseeh Mangi, July 15, 2020: <https://www.bloomberg.com/news/articles/2020-07-15/belt-and-road-re-emerges-in-pakistan-with-flurry-of-china-deals>

²⁷ "Will the Pandemic Increase Russia's Economic Dependence on China?", Alexander Gabuev, Temur Umarov, Carnegie Moscow Center, July 8, 2020: <https://carnegie.ru/2020/07/08/will-pandemic-increase-russia-s-economic-dependence-on-china-pub-81893>

²⁸ "Deal for Naval Outpost in Cambodia Furthers China's Quest for Military Network", *Wall Street Journal*, Jeremy Page, Gordon Lubold and Rob Taylor, July 22, 2020: <https://www.wsj.com/articles/secret-deal-for-chinese-naval-outpost-in-cambodia-raises-u-s-fears-of-beijings-ambitions-11563732482>;

"Triad of Disinformation: How Russia, Iran, & China Ally in a Messaging War against America", Clint Watts, May 15, 2020 summarizes research in this area by the German Marshall Fund's Alliance for Securing

of countries at the core of this grouping, which - with the exception of Russia in the sphere of military technology - have limited scope to strengthen China's economic, financial or technological position in the near-to-medium term. But they provide considerable means to expand Beijing's security footprint, to marshal diplomatic support for China in international institutions, and a number of other political, intelligence and military benefits in specific regions.

Counterbalancing coalitions

From the perspective of US China policy, the shifting geopolitical context presents considerable opportunities. The scope for heightened coalition building on China has rarely been greater. The language and tone will not necessarily match the direction that the Trump administration has taken - particularly in recent months - and there will continue to be disavowals from many capitals about avoiding "decoupling", "confrontation" and a "new Cold War" while preserving certain areas of cooperation with Beijing. Moreover, differences over matters ranging from tech regulation to the future of the WTO will still present obstacles to efforts to achieve a common front. But there is now growing convergence among a striking array of US partners on many of the fundamental concerns about Chinese non-market activities, its economic and military coercion, its technology practices in areas ranging from surveillance to data use, and its intensifying efforts to erode liberal democratic norms on a global scale. There is also an increasing understanding that this needs to be viewed in systemic terms and addressed with other like-minded countries, rather than as a discrete set of problems to be solved in piecemeal fashion with Beijing.

There will be relatively limited opportunity to advance this agenda until the dust has settled on the US elections in November. But beyond 2020 there will be the chance to build on, join, or launch China-related initiatives across a wide range of areas including: joint measures on Chinese subsidies; supply chain resilience; industrial policy coordination and mutual strengthening of the alternatives to Chinese technologies; connectivity finance; closer alignment on investment screening, export controls and Chinese technology acquisitions; heightened security cooperation between US allies in Asia and Europe; Xinjiang and Hong Kong-related measures; bolstering Taiwan's international position; taking China on in multilateral institutions; and countering Chinese influence and disinformation. This will involve an array of different actors, processes and institutions depending on the issue in play and the relative willingness of countries to take action. While there is discussion about variants of a new democratic club (such as the D-10), these efforts are likely to be conducted across a diffuse

Democracy: <https://securingdemocracy.gmfus.org/triad-of-disinformation-how-russia-iran-china-ally-in-a-messaging-war-against-america/>

patchwork: the G7, the Five Eyes, the Quad, the US-EU-Japan trilateral, different transatlantic formats (US-EU, NATO), and more ad-hoc "go-ahead" groupings on specific topics. All of this would add to the already well-developed structures of US security cooperation among allies in Asia.

To take advantage of this will require an administration that is genuinely willing to prioritize a coalition-based strategy in dealing with Beijing. The U.S. network of partners and allies remains one of the biggest long-term advantages over China but leveraging that network will require an approach that integrates them into policymaking to a degree that has rarely been the case until now. The current US administration has made progress in coordinating with allies at a working level in some areas - such as investment screening rules - and ultimately scored a number of successes over 5G decisions. But it has been inherently limited. A more serious push would necessitate a considerably expanded level of information sharing in areas of shared interest, particularly in trade and economic matters (where this is far less common than with security partners); co-devising or, at a minimum, consulting with partners on significant policies ahead of time; and de-prioritizing differences and disputes with major allies in order to focus more effectively on higher salience concerns with China. Even prior to the Trump administration, this had not tended to characterize the U.S. approach to China policy, with most of the political energy being channeled into the vast architecture of dialogues and exchanges with Beijing rather than broad-based coordination efforts with democratic allies. China will not abandon its own efforts to prevent counterbalancing coalitions developing, as the unusual recent back-to-back visits to Europe by Wang Yi and Yang Jiechi - heavily focused on persuading Europeans not to join forces with the United States - demonstrate. But as long as Beijing is unwilling to make any serious progress in their areas of concern, and continues its aggressive diplomatic posture, these visits are tending to achieve the opposite effect²⁹.

But if prospects for closer alignment among the advanced economies and other major US partners have improved, the context in the developing world is only growing more competitive. Despite the BUILD act, the Blue Dot Network, and related economic aspects of the Free and Open Indo-Pacific strategy, the United States continues to lag behind on the infrastructure and connectivity agenda that so many developing countries prioritize. Neither has Washington occupied a convincing leadership role in the developing world on the immediate issues of debt relief and pandemic-management, including the looming questions around vaccine distribution. Despite their skepticism about the BRI, countries in straitened economic conditions will continue to find themselves reluctantly

²⁹ For a summary see: "China is trying to mend fences in Europe. It's not going well." *Washington Post*, Gerry Shih, September 2, 2020: https://www.washingtonpost.com/world/asia_pacific/china-europe-relations-us/2020/09/02/63d963e0-ece1-11ea-bd08-1b10132b458f_story.html

turning to China in the absence of alternatives in these areas, whether it be medical support or debt finance. Even if Beijing is more financially constrained than during the take-off phase of the BRI, and has grown more cautious about project selection, China still comfortably has the means to support new investments and restructure debts, and has a well-demonstrated track record in taking advantage of an adverse economic climate when its money goes further than in normal conditions.³⁰

The supply chain resilience agenda, and wider concern on countries' part to wean themselves away from economic dependence on China, does offer the chance to refresh both the offer to the developing world and the associated narrative. Any restructuring of global value chains will involve a modest degree of re-shoring. But in order to support a sufficiently robust network of alternative production hubs and diverse supplies of critical materials, the bulk of the effort by advanced economies will require capacity building, infrastructure financing, and improved trade and investment frameworks in regions ranging from Africa to Southeast Asia. A strengthened package for developing countries that spans development aid, market access, connectivity finance, health, and technology cooperation, pursued in cooperation with Europe, Japan, India, and other Asian allies, would go well beyond the traditional "compete with the BRI" story and do much to address doubts about the seriousness of U.S. commitments in this sphere.

China went into the international phase of the COVID-19 pandemic holding a weakened hand, given that it was always going to accrue much of the blame for the crisis. It has not played that hand well. Beijing can reap some benefits from the ability to squeeze countries that are struggling to cope with the fallout, as well as deepening ties with some of its closest friends. But a more magnanimous approach would have elicited a different response from the many states that wished to set geopolitics and ideological struggle aside and focus on dealing with the health and economic calamities besetting them. There was a real leadership vacuum, and if China had reprised the stabilizing role it played during the Great Recession and Europe's sovereign debt struggles, it could still have stabilized or even enhanced its geo-strategic position. Instead, its belligerent and politicized behavior is going to resonate well beyond the crisis in ways that are likely to prove far more costly than any benefits accrued from territorial advances in Ladakh or "Grazie, Cina!" videos.

³⁰ "Booster or Brake? COVID and the Belt and Road Initiative", Rhodium Group, Agatha Kratz, Daniel H. Rosen, and Matthew Mingey April 15, 2020: <https://rhg.com/research/booster-or-brake-covid-and-the-belt-and-road-initiative/>

