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China's Power Play: The Role of Congress in Addressing the Belt and Road

Prepared statement by

Daniel Kliman*

Senior Fellow and Director

Asia-Pacific Security Program, Center for a New American Security

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Subcommittee on International Trade, Customs, and Global Competitiveness

Hearing on “China’s Belt and Road Initiative”

Chairman Cornyn, Ranking Member Casey, distinguished members of this subcommittee, I am grateful for this opportunity to address you about China’s Belt and Road. At my home institution, the Center for a New American Security (CNAS), I have led several major studies on the Belt and Road. This research has underscored that the Belt and Road is largely antithetical to American interests and values. If China succeeds in realizing its vision for the Belt and Road, U.S. security, prosperity, and values will all come under pressure. Beijing will sharpen the emerging choice countries confront between their military ties with the United States and economic dependence on China. U.S. companies will compete on an uneven playing field in large parts of the developing world as China increasingly sets commercial standards and uses coopted local elites to advantage its enterprises. And American ideals of democracy and human rights will lose influence globally as Beijing radiates illiberalism through its investments in physical and digital infrastructure overseas.

In the remainder of my testimony, I will address the current state of play, assess the implications of the Belt and Road, and advance a series of recommendations by which Congress can help to ensure that the United States is positioned to compete with China while simultaneously offering a positive vision of global infrastructure connectivity and economic development.

* The views presented in this testimony are mine alone and do not represent those of CNAS or any other organizations with which I hold an affiliation. My testimony draws heavily on language, analysis, and ideas from the following CNAS publications: Daniel Kliman and Abigail Grace, “Power Play: Addressing China’s Belt and Road Strategy” (Center for a New American Security, September 2018), <https://s3.amazonaws.com/files.cnas.org/documents/CNASReport-Power-Play-Addressing-Chinas-Belt-and-Road-Strategy.pdf?mtime=20180920093003>; and Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper, “Grading China’s Belt and Road” (Center for a New American Security, April 2019), <https://s3.amazonaws.com/files.cnas.org/CNAS+Report+China+Belt+and+Road+final.pdf>. I am indebted to all of my co-authors. My research at CNAS on the Belt and Road has received support from a number of funders, including the Sasakawa Peace Foundation, the U.S. State Department, and the Quadrivium Foundation. CNAS is a national security research and policy institution committed to the highest standards of organizational, intellectual and personal integrity. The Center retains sole editorial control over its ideas, projects, and productions, and the content of its publications reflects only the views of their authors.

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I. CURRENT STATE OF PLAY

Here are five observations about the Belt and Road today.

- 1) The Belt and Road is fundamentally a geopolitical enterprise. Since its launch in 2013, what Beijing calls “One Belt, One Road” has emerged as the cornerstone of China’s economic statecraft. Under the umbrella of the Belt and Road, Beijing seeks to promote a more connected world brought together by a web of Chinese-funded physical and digital infrastructure. The world’s infrastructure needs are significant, but the Belt and Road is more than just an economic initiative; it is a central tool for advancing China’s geopolitical ambitions. Through the economic activities bundled under the Belt and Road, Beijing is pursuing a vision of the 21st century defined by great power spheres of influence, state-directed economic interactions, and creeping authoritarianism.¹
- 2) China is placing growing emphasis on digital infrastructure. When initially launched, the Belt and Road largely focused on physical infrastructure, such as ports, pipelines, railways, and power plants. However, Beijing under the banner of what it labels the “Digital Silk Road” is now prioritizing information connectivity projects. Although 5G wireless networks and Huawei have tended to dominate recent public discussions on China’s digital expansion, the Digital Silk Road encompasses a much broader set of technologies and projects, including undersea cables, telecommunications equipment, data centers, and research partnerships, and involves at least a dozen key Chinese technology companies, according to one recent study.² The geographic scope is vast: for example, China is building or operating telecommunications infrastructure in countries as varied as Burma, Kyrgyzstan, Nepal, Bangladesh, Mexico, and Kenya, along with dozens of others.³
- 3) The reality of the Belt and Road differs sharply from the beneficent vision advanced by Beijing. When initially unveiled by China, the Belt and Road met with a warm reception across large parts of the globe. For developing countries eager for new sources of investment, it held significant appeal. Yet the downsides of Chinese-led infrastructure projects have become increasingly apparent to many recipient states. These challenges include the erosion of national sovereignty; lack of transparency; unsustainable financial burdens; disengagement from local economic needs; geopolitical risks; negative environmental impacts; and significant potential for corruption.
- 4) Despite resistance to the Belt and Road in some countries, China has momentum on its side. The challenges associated with Beijing’s infrastructure projects have provoked international backlash, most acutely in the Indo-Pacific. In select cases, such as Malaysia, countries have successfully renegotiated projects with China. But many states find themselves unable to pull away from China, both for fiscal reasons as well as domestic political ones – with Beijing frequently exercising lingering influence while awaiting and abetting the restoration of sympathetic elites.⁴ Most critically, even countries that have become relatively skeptical about the Belt and Road still perceive few meaningful alternatives to infrastructure projects involving China.⁵

¹ Daniel Kliman et al., “Grading China’s Belt and Road.”

² Samantha Hoffman et al., “Mapping China’s Tech Giants,” (Australian Strategic Policy Institute, April 2019), <https://www.aspi.org.au/report/mapping-chinas-tech-giants>.

³ Kliman et al., “Grading China’s Belt and Road.”

⁴ Daniel Twining, “China Profits from Southeast Asia’s Democratic Deficits,” Nikkei Asian Review, <https://asia.nikkei.com/Politics/International-relations/China-profits-from-Southeast-Asia-s-democratic-deficits>.

⁵ Kliman et al., “Grading China’s Belt and Road.”

- 5) Recent commitments by China to address the Belt and Road’s shortcomings are largely a public relations exercise. The backlash against the Belt and Road has not gone unnoticed in Beijing. At the recent Belt and Road Forum, President Xi Jinping pledged to focus on high-quality projects and to fight corruption by Chinese companies operating overseas. In tandem with the forum, the Chinese government released a new framework for debt sustainability, ostensibly to ensure that Belt and Road projects do not leave recipient states with a massive financial hangover. Yet this debt framework is voluntary, and many of Xi’s promises at the forum reiterated unfulfilled commitments made during a 2018 speech marking the 5th anniversary of the Belt and Road. Ultimately, the sheer number and size of China’s overseas infrastructure projects render a fundamental change to the Belt and Road’s implementation unlikely. More importantly still, many of the practices associated with the Belt and Road that pose a concern to recipient states, such as loss of control, opaque contracting, debt, dual civilian-military infrastructure, and corruption, are often strategic assets for Beijing.⁶

II. HOW THE BELT AND ROAD IS RESHAPING THE WORLD

China’s Belt and Road is eroding the foundation of the existing international order. Already, the effects of the Belt and Road are increasingly visible and extend from geopolitics to commerce to international and domestic governance. This section evaluates the implications of the Belt and Road in each of these areas.

GEOPOLITICS

- The People’s Liberation Army (PLA) will become more global and the U.S. military will confront new risks. With Chinese investment and workers fanning out to distant and sometimes dangerous regions, Beijing will increasingly grapple with circumstances that warrant deploying the PLA overseas. At the same time, the construction of dual purpose, civilian-military infrastructure under the umbrella of the Belt and Road will provide a more durable foundation for PLA operations in the Indian Ocean and beyond. This will create new risks for the U.S. military. The PLA’s presence in Djibouti and potential future locations overseas poses an intelligence threat and raises the possibility that American forces operating far from the Western Pacific will be harassed by China. Lastly, Beijing’s involvement in the digital ecosystems of a large set of countries could compromise the networks of U.S. allies and partners and constrain future opportunities to enhance military interoperability.⁷
- China will attain lasting diplomatic leverage. By lending to some governments at a level beyond their ability to repay, China has placed recipient countries in a position of dependence and vulnerability. The diplomatic leverage that China obtains from this approach is long-term. Financial obligations transcend changes in political leadership and constrain the room to maneuver of successive governments – even those inclined to move away from Beijing. Further, debt burdens translate into a flexible form of influence that China can wield to obtain control of foreign assets, press for military access, and compel support – or at least curtail opposition – to its positions on issues ranging from maritime disputes in the South China Sea to human rights.⁸

“Xi Jinping’s Second Belt and Road Forum: Three Key Takeaways,” Bloomberg, April 27, 2019, <https://www.bloomberg.com/news/articles/2019-04-28/xi-jinping-s-wins-and-losses-at-his-second-belt-and-road-forum>; Ministry of Finance of People’s Republic of China, *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative* (April 25, 2019), <http://m.mof.gov.cn/czxw/201904/P020190425513990982189.pdf>; Daniel Kliman, “Don’t be Fooled by China’s Belt and Road Rebrand,” Center for a New American Security, April 2019), <https://www.cnas.org/publications/commentary/dont-be-fooled-by-chinas-belt-and-road-rebrand>.

⁷ Kliman and Grace, “Power Play.”

⁸ Kliman and Grace, “Power Play.”

- China’s ability to manipulate global supply chains for geopolitical benefit will grow. Through its overseas investment activities, Beijing will play an increasingly influential role in the distribution networks linking suppliers to consumers worldwide. This is most pronounced in major container ports, but China also plays a leading role in the shipping industry. With multiple points of leverage over global supply chains, if economic tensions further escalate, or in the event of a military crisis or conflict, China would have the ability to influence market prices by limiting the availability of manufactured goods and nonrenewable commodities such as critical minerals. In this way, the Belt and Road will expand Beijing’s coercive economic toolkit. China could also more subtly leverage its growing presence in global supply chains for advantage, for example, by introducing inefficiencies into the supply chains of a geopolitically significant foreign company to reduce its competitiveness.⁹

COMMERCE

- International commercial standards will come under pressure. As China races to fund and execute infrastructure projects across Asia, the Middle East, Africa, Europe, and Latin America, its activities often deviate from existing commercial standards. These standards – such as transparent investment procedures, alignment with social and environmental responsibility guidelines, and debt sustainability – reflect decades of lessons learned both by investors and recipient countries. Beijing’s intent to establish a new Belt and Road dispute settlement mechanism indicates that its strategy will also pose a growing challenge to existing international legal standards. As proposed, this mechanism would sit under China’s Supreme People’s Court and provide Beijing with a more malleable tool to resolve Belt and Road legal disputes than local courts in recipient countries or established international arbitration frameworks.¹⁰
- China’s ability to compete in the digital domain will improve. The Belt and Road is advancing Beijing’s ambition to become the world’s leading information technology power. As China’s national technology champions go abroad to construct its “Digital Silk Road,” Beijing’s audacious bid to set international technical standards and establish new platforms for online connectivity will gain additional momentum. To compete globally, China’s technology companies require greater access to foreign data. The “Digital Silk Road” potentially could yield large amounts of data that ultimately will enable Chinese companies to more effectively target consumers in overseas markets and boost China’s artificial intelligence (AI) industry, reinforcing the advantage it already enjoys given China’s population size and supportive government regulations. Beyond data, the Belt and Road likely will serve as a mechanism for China to enlist foreign scientists and engineers in cooperative technical projects. Through such technology cooperation arrangements, China could harness talent across a large part of the globe even as it remains a relatively unattractive destination for high-skilled immigration.¹¹
- Key countries will struggle to service their Belt and Road-related debt. Most of China’s financing for Belt and Road projects involves loans rather than grants. Many of the countries receiving Chinese investment also lack the technical capacity to assess their repayment ability – a particular challenge given Beijing’s willingness to ignore debt sustainability standards, which normally serve as guardrails for investors and recipient countries. According to a recent study, future financing related to Belt and Road projects puts eight countries at significant risk of debt distress: Djibouti, the Maldives, Laos, Montenegro, Mongolia, Tajikistan, Kyrgyzstan, and Pakistan. China is the only major global lender that is not a member of the Paris Club, which finds coordinated and sustainable solutions to the payment difficulties experienced by

⁹ Kliman and Grace, “Power Play.” I am indebted to Elizabeth Rosenberg, CNAS Senior Fellow and Director, Energy, Economics, and Security Program, for this insight.

¹⁰ Kliman and Grace, “Power Play.”

¹¹ Kliman and Grace, “Power Play.”

debtor countries. In a restructuring scenario involving these eight countries – among others – China could potentially extract nonstandard concessions that infringe upon debtor countries’ sovereignty.¹²

- China will try to externalize some of the financial risk of the Belt and Road. Beijing is encouraging U.S. and European investment banks and institutional investors to put capital into Belt and Road projects. Some Western firms have responded favorably, holding conferences on the Belt and Road and designating senior personnel to lead their work on it. In addition, Western banks have become directly involved in Belt and Road financing. An emerging phenomenon is China’s attempts to establish investment instruments to finance the Belt and Road that bundle together many projects, potentially obscuring the underlying risk. Although financing for the Belt and Road will remain overwhelmingly Chinese in the near term, these attempts to enlist Western capital warrant close scrutiny.¹³

INTERNATIONAL AND DOMESTIC GOVERNANCE

- The development arm of the United Nations will work to legitimize the Belt and Road. China has leveraged the UN Department of Economic and Social Affairs (DESA) in which its nationals hold leadership positions to closely link the Belt and Road to the UN’s 2030 Agenda for Sustainable Development, more commonly known as the Sustainable Development Goals (SDGs). DESA has sought to conflate the Belt and Road and the SDGs through a high-level convening, official statements, and a new program¹⁴ to promote networking among countries that have signed Belt and Road cooperation memorandums with China. The UN’s leadership – both the Secretary General and the Deputy Secretary General – have also endorsed the Belt and Road, in effect reinforcing DESA’s legitimization campaign. As of the second Belt and Road Forum in April 2019, at least 25 UN agencies have initiated joint research projects and signed agreements and memorandums of cooperation with China.¹⁵
- Multilateral development banks (MDBs) will largely cooperate with China on the Belt and Road. The world’s major MDBs will not serve as a counterweight to the Belt and Road. Many support the Belt and Road given Western countries’ limited interest in participating in MDB recapitalization efforts. The World Bank has been especially forward-leaning: its last president offered a full-throated endorsement of Beijing’s signature effort. The Asian Development Bank and the European Bank for Reconstruction and Development likewise seek to cooperate with China on the Belt and Road. Provided that MDBs insist on upholding international standards, their future co-financing of Belt and Road projects could raise the bar and help promote transparency and debt sustainability. Yet given the comparatively modest resources that MDBs currently dedicate to infrastructure – though they are beginning to spend more in this area –

¹² John Hurley et al., “Examining Debt Implications of the Belt and Road Initiative from a Policy Perspective,” (Center for Global Development, March 2018), <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>; Kliman and Grace, “Power Play.”

¹³ Kliman and Grace, “Power Play.”

¹⁴ “Jointly Advancing the Belt and Road Initiative to Achieve the SDGs,” UN Development Program Press Release, February 27, 2019, <http://www.cn.undp.org/content/china/en/home/presscenter/pressreleases/2019/jointly-advancing-the-belt-and-road-initiative-to-achieve-the-sd.html>.

¹⁵ Kristine Lee and Alexander Sullivan, “People’s Republic of the United Nations,” (Center for a New American Security, May 2019), <https://www.cnas.org/publications/reports/peoples-republic-of-the-united-nations>; “List of Deliverables of the Second Belt and Road Forum for International Cooperation,” Ministry of Foreign Affairs of the People’s Republic of China, April 27, 2019, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1658767.shtml; “UN Agencies Belt and Road Initiative Involvement,” United Nations Environment Program, <http://wedocs.unep.org/bitstream/handle/20.500.11822/26318/UN%20Agencies%20BRI%20Involvement%2002%20%2801%20Oct%202018%29.pdf?sequence=17&isAllowed=y>.

co-financing of some projects is unlikely to fundamentally change the character of the Belt and Road, which derives the majority of its funding from Chinese state institutions.¹⁶

- The quality of domestic governance in some countries taking Belt and Road investment will decline. Many of the countries involved in the Belt and Road feature high levels of corruption and low levels of democracy. Despite enacting an anti-foreign bribery law in 2011, China has demonstrated minimal interest in enforcing compliance by its companies operating overseas. In states with weak governance, Chinese enterprises will face a strong temptation to engage in graft and other dishonest business practices. The geopolitical dimension of the Belt and Road will further exacerbate the problem of corruption; the capture of political elites potentially can serve as a potent tool in countries where China seeks control of strategic commercial assets or military access. Hardly a champion of democracy and human rights, China has shown a willingness to defend authoritarian and anti-democratic leaders in increasingly far-flung locations closely linked to the Belt and Road.
- China is becoming an exporter of high-tech illiberalism. Domestically, China has harnessed technology for illiberal aims to make repression and social control more pervasive and effective than ever before. Examples of this include ubiquitous surveillance cameras coupled with facial recognition software, the introduction of a social credit score, pervasive online censorship, and more. As China has reoriented the Belt and Road to focus more on digital connectivity, it is exporting infrastructure not only for communications but also surveillance and censorship. Beijing’s “Digital Silk Road” is especially pernicious because through the provision of technology, funding, and know-how, China is making repression easier and more attractive to governments that have weak democratic institutions and enabling fragile authoritarian regimes to become more effective and cost-efficient. Moreover, China’s high-tech illiberalism has repercussions that go beyond eroding human rights and freedom of speech in particular countries. As China’s role in the digital ecosystems of developing countries spreads, it is leveraging its influence to encourage a shift globally toward a less democratic model of Internet governance.¹⁷

III. GETTING AMERICA’S APPROACH RIGHT

In 2018, the United States formulated and began to implement a response to the Belt and Road. Nested within a larger competitive U.S. strategy toward China spanning the diplomatic, economic, military, and informational domains, this response has focused on U.S. areas of comparative advantage such as energy and digital connectivity, promoted capacity building in countries considering Chinese investment, and emphasized cooperation with high-capability American allies and partners. Congress in turn has played a critical role in resourcing America’s approach to the Belt and Road through the passage of the bipartisan Better Utilization of Investment Leading to Development (Build) Act in October 2018, which will result in the establishment of a new U.S. Development Finance Corporation (DFC) late this year.¹⁸

All this is a positive start, but America’s current approach still falls short of addressing the challenge posed by China’s Belt and Road. The DFC remains a work in progress, and depending on its future focus, organization, and staffing, could ultimately fail to backstop U.S. economic alternatives to the Belt and Road. Cooperation with U.S. allies and partners, though a bright spot, has yielded meager

¹⁶ Kliman and Grace, “Power Play.”

¹⁷ Kliman and Grace, “Power Play.”

¹⁸ Daniel Kliman, “To Compete with China, Get the New U.S. Development Finance Corporation Right,” (Center for a New American Security, February 2019), <https://www.cnas.org/publications/commentary/to-compete-with-china-get-the-new-u-s-development-finance-corporation-right#fn6>.

results thus far in terms of joint infrastructure projects. In the information domain, the United States has successfully propagated the concept of “debt trap diplomacy,” crystallizing concerns about China’s unsustainable financing practices. Nonetheless, large parts of the globe continue to regard the Belt and Road as symbolic of China’s inevitable rise. With Italy’s recent signature of a Belt and Road cooperation memorandum, and Malaysia’s walk-back of its criticism,¹⁹ Beijing is well on its way to demonstrating that recent setbacks to the Belt and Road are mere speedbumps, rather than insurmountable obstacles. Lastly, the U.S. approach to addressing the Digital Silk Road has largely taken a security perspective, with a focus on blocking Chinese 5G investments in key allied countries. Washington has only partially succeeded in achieving this narrow objective, with Australia and Japan committed to 5G solutions that do not involve Huawei, while Europe continues to deliberate.²⁰ Meanwhile, China’s larger promotion of high-tech illiberalism goes largely unchecked.

Although the Executive Branch bears primary responsibility for American foreign policy, Congress can play a vital role in shaping how the United States addresses China’s Belt and Road. This section advances ten targeted recommendations that directly involve Congress.

Geopolitics

1) Congress should support the creation of a U.S. public diplomacy toolkit for the 21st century.

The U.S. approach to the Belt and Road must focus squarely on the informational domain, where Beijing has effectively played up the size and positive impact of its infrastructure investments and worked to portray the Belt and Road as emblematic of its inevitable rise to global primacy. Congress should create a reporting requirement for the Executive Branch to put forward a blueprint for a robust non-military public diplomacy capability that would re-create aims and functions of the U.S. Information Agency during the Cold War, but for the 21st century. To backstop a more robust U.S. public diplomacy toolkit, Congress should review declassification processes and authorities to ensure that American officials can more easily furnish evidence of Chinese corrupt business practices to media and civil society organizations globally and in countries where Beijing is involved in infrastructure projects under the umbrella of the Belt and Road.²¹ Congress should also fund the State Department’s adoption of commercial tools such as **artificial intelligence-powered sentiment analysis of news and social media** that would both track local attitudes toward Chinese investment and help to tailor U.S. messaging in specific countries. Winning the narrative contest is essential; if countries accept that Belt and Road is the wave of the future, they are unlikely to align with the United States in ways that will ultimately secure their economic freedom and sovereignty.²²

¹⁹ Giselda Vagnoni, “Italy endorses China’s Belt and Road plan in first for a G7 nation,” Reuters, March 23, 2019, <https://www.reuters.com/article/us-italy-china-president/italy-endorses-chinas-belt-and-road-plan-in-first-for-a-g7-nation-idUSKCN1R40DV>; Tom Mitchell and Archie Zhang, Malaysia to resume China-built Belt and Road rail project,” *The Financial Times*, April 12, 2019, <https://www.ft.com/content/8bc8cb02-5ceb-11e9-9dde-7aedca0a081a>.

²⁰ Ellen Nakashima, “U.S. pushes hard for a ban on Huawei in Europe, but the firm’s 5G prices are nearly irresistible,” *The Washington Post*, May 29, 2019, https://www.washingtonpost.com/world/national-security/for-huawei-the-5g-play-is-in-europe--and-the-us-is-pushing-hard-for-a-ban-there/2019/05/28/582a8ff6-78d4-11e9-b7ae-390de4259661_story.html?noredirect=on&utm_term=.33c0ffe7021d.

²¹ Ely Ratner makes a similar recommendation in his testimony before the Senate Armed Services Committee. See Ely Ratner, “Blunting China’s Illiberal Order: The Vital Role of Congress in U.S. Strategic Competition with China,” Statement to the Senate Armed Services Committee, Hearing on “China and Russia,” January 29, 2019, https://www.armed-services.senate.gov/imo/media/doc/Ratner_01-29-19.pdf.

²² Kliman and Grace, “Power Play.”

2) Congressional delegations should travel to countries where China may parlay its Belt and Road projects into overseas military access and emphasize the downsides of a PLA presence.

Congress should partner with the Executive Branch to constrain China's military access where possible and block it where absolutely necessary. Delegations by members of Congress provide an opportunity for the United States to communicate to senior political and military leader in foreign countries what PLA capabilities on their soil would prove most destabilizing and the potential impact on their sovereignty that could accompany opening the door to China's military. Congressional delegations are also positioned to credibly convey to foreign governments that a decision to offer the PLA access to their territory would result in punitive U.S. legislation. To ensure alignment with the Executive Branch and identify priority countries for future delegations, Congress should send a letter to the Secretary of Defense to request a classified briefing on the U.S. approach to countering China's pursuit of overseas military access.

3) Congress should task the U.S.-China Security and Economic Review Commission (USCC) to publish a report on the China supply chain exposure of 20 large U.S. companies.

China's growing control over global supply chains presents a geopolitical risk. Congress should direct the USCC to produce a report estimating the degree to which 20 large U.S. companies across industrial sectors source from China and use Chinese-operated global distribution networks. This report would help to catalyze a discussion in boardrooms on how to mitigate the risk of excessive supply chain dependence on China, elevate public discussion on this issue, and provide a methodology by which a broader set of companies could evaluate their own exposure.²³

Commerce

4) Congress should convene hearings to weigh the merits of the United States rejoining the TPP – now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).²⁴

For countries in the Indo-Pacific, the absence of U.S. participation in multilateral trade and investment agreements remains a major gap in America's approach to the Belt and Road. With bipartisan recognition of the China challenge, there is a unique opportunity for members of Congress on both sides of the aisle to draw a sharp distinction for domestic audiences between China's unfair trading practices, which have directly undermined the livelihoods of large numbers of Americans, and the overwhelming benefits derived from economic engagement with U.S. allies and partners.²⁵

5) Congress through its oversight function should encourage the executive branch to come together with U.S. ally and partner governments around an international certification for high-quality infrastructure.

An internationally-recognized certification that builds on the Group of 20 Principles for Quality Infrastructure Investment would establish a benchmark whereby developing countries could assess the pros and cons of future projects involving China. This certification could be operationalized through standing up a

²³ I am indebted to CNAS Adjunct Senior Fellow Peter Harrell for this recommendation.

²⁴ Ely Ratner also makes this recommendation in his testimony before the Senate Armed Services Committee. See "Blunting China's Illiberal Order: The Vital Role of Congress in U.S. Strategic Competition with China," Statement to the Senate Armed Services Committee, Hearing on "China and Russia," January 29, 2019, https://www.armed-services.senate.gov/imo/media/doc/Ratner_01-29-19.pdf.

²⁵ Kliman and Grace, "Power Play."

new international organization that would vet proposed infrastructure projects and support oversight efforts during the construction phase. With international buy-in, this certification might ultimately encourage a race to the top by companies and investors, including those from China.²⁶

6) Congress should appropriate resources to establish a new U.S. digital development fund that would support information connectivity projects across the developing world.

With the Digital Silk Road as a vector for spreading China’s high-tech authoritarianism and compromising the telecommunications security of American allies and partners, it is imperative that the United States respond. In the developing world, this means driving down the price of American digital infrastructure in order to compete with subsidized Chinese firms such as Huawei. Congress could play a vital role by enacting legislation to stand up a new U.S. digital development fund that would support – potentially with lines of credit – information connectivity projects in the developing world undertaken by companies that are headquartered in countries committed to rule of law and globally recognized norms of online freedom and privacy.²⁷

7) Congress should work closely with the Executive Branch to ensure the new U.S. Development Finance Corporation is positioned to backstop a competitive approach toward China.

Through a combination of hearings, oversight, and legislation, Congress should shape the new DFC to ensure it will sharpen America’s strategic edge. Congress should: encourage the creation of an office for strategic investments led by a new member of the DFC’s executive team; grant the DFC a “surge financing” authority to capitalize on emerging windows of opportunity generated by blowback against Chinese investment in some recipient countries; provide the DFC with the political space to make somewhat riskier investments in countries with weaker regulatory environments where China is actively competing; and encourage linkages between U.S. public diplomacy and projects catalyzed by the DFC.²⁸

International and Domestic Governance

8) Congress should convene a hearing on China’s use of the UN to legitimize the Belt and Road and advance its broader geopolitical objectives.

Beijing’s growing influence within the UN system and what this means for the United States remains inadequately understood in Washington. Congress could elevate this issue by holding a hearing that would bring together senior American officials serving at the United States Mission to the United Nations (USUN) and outside experts tracking China’s activities in the world’s preeminent multilateral organization. The hearing would also provide an opportunity for members of Congress to discuss how to navigate the increasingly sharp tradeoffs between downgrading America’s participation in the UN in response to its hostile track record on Israel and competing with China.

9) Congress should sufficiently resource U.S. efforts to enhance technical capacity in countries receiving Chinese investment under the umbrella of the Belt and Road.

Some governments lack the ability to assess Chinese contracts – for example, in terms of debt repayment and infrastructure life-cycle costs – and have insufficient human resources to oversee projects during the

²⁶ Kliman and Grace, “Power Play.”

²⁷ Kliman and Grace, “Power Play.”

²⁸ Kliman, “To Compete with China, Get the New U.S. Development Finance Corporation Right.”

implementation phase. This amplifies the challenges associated with the Belt and Road. U.S. efforts to build technical capacity in states that have welcomed Chinese infrastructure projects remain deeply underfunded. Congress should appropriate \$250 million for the State Department’s new Infrastructure Transaction Advisory Network – not the currently requested \$25 million – and also plus-up complementary efforts by the U.S. Treasury Department’s Office of Technical Assistance (OTA) and the U.S. Trade Development Agency’s Global Procurement Initiative.²⁹

10) Congress should appropriate additional resources for the National Endowment for Democracy, the National Democratic Institute, and the International Republican Institute, expressly for strengthening good governance in countries targeted by the Belt and Road.

Beijing has a relatively freer hand in countries where it can capture elites and make backroom deals. Conversely, countries with robust domestic institutions are best positioned to engage the Belt and Road on their terms. Even a modest increase in U.S. funding to support rule of law, transparency, accountability, freedom of the press, and civil society would go a long way toward enabling countries to avoid the most negative impacts associated with Chinese infrastructure projects. Although the United States should tailor efforts to promote good governance to each country, it should wherever possible seek to direct funds to local non-governmental organizations that track China’s activities and influence, as this type of investigative work is essential to ensuring that societies can have an informed debate on whether and how to cooperate with Beijing on the Belt and Road.³⁰

²⁹ Kliman and Grace, “Power Play.”

³⁰ Kliman and Grace, “Power Play.”

Biography

Daniel Kliman
Senior Fellow and Director
Asia-Pacific Security Program, Center for a New American Security



Daniel Kliman is the Program Director and Senior Fellow in the Asia-Pacific Security Program at the Center for a New American Security (CNAS). He is an expert in Asia-Pacific strategy, with a particular focus on U.S. competition with China. Kliman is also an officer in the U.S. Navy Reserve.

Before joining CNAS, Kliman worked in the Office of the Under Secretary of Defense for Policy, where he served as Senior Advisor for Asia Integration. He was the principal Asia expert for development and implementation of the Third Offset strategy and executed multiple international engagements focused on defense innovation. He also advised DoD leadership on maritime security issues.

Prior to his time at the DoD, Kliman worked at the German Marshall Fund of the United States (GMF), first as a Transatlantic Fellow, and then as a Senior Advisor with the Asia Program. At GMF, Kliman launched a new line of research on emerging powers. He also created the Young Strategists Forum, a program to educate emerging leaders from the United States, Japan, and other major democracies about geopolitical competition in the Asia-Pacific region.

Kliman has authored two books, *Fateful Transitions: How Democracies Manage Rising Powers, from the Eve of World War I to China's Ascendance*, and *Japan's Security Strategy in the Post-9/11 World: Embracing a New Realpolitik*. He has also published in prominent outlets such as *The Washington Post*, *The Wall Street Journal*, *Politico*, *Foreignpolicy.com*, and *CNN.com*.

Kliman received a PhD in Politics from Princeton University and holds a BA in Political Science from Stanford University. He lives in Washington, DC, with his wife and daughter.