



**Statement Before the
U.S.-China Economic and Security Review Commission**

“China’s Belt and Road Initiative: Five Years Later”

A Testimony by:

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Introduction

Thank you for the opportunity to testify on China's Belt and Road Initiative (BRI), and its implications for U.S. interests. The Commission asked me to focus on the BRI's economic dimensions. I will address four key questions in this regard:

- What are the key trends in BRI projects to date, and to what extent do BRI projects follow market rules and international standards?
- What tools has Beijing used to boost Chinese exports under the BRI?
- How has the BRI affected China's trade and investment patterns, its diplomatic reach, and its soft power?
- What are the economic implications of the BRI for the United States?

After addressing these questions, I will conclude with brief recommendations for Congressional action.

Hot Spots and Blind Spots: Key Trends in BRI Projects

The BRI is the most ambitious geoeconomic vision in recent history. Spanning some 70 countries, it can claim to cover more than two-thirds of the world's population. It could include Chinese investments approaching \$4 trillion.¹ It intends to strengthen hard infrastructure with new roads and railways, soft infrastructure with trade and transportation agreements, and even cultural ties with university scholarships and other people-to-people exchanges. In all these ways, when much of the West is looking inward, China is connecting with the world.

The BRI is also the best-known, least-understood foreign policy effort underway. Beyond investments in actual projects, China spends significant resources organizing BRI events, promoting BRI stories, and conducting other outreach. Recognition within and outside China has been growing. Chinese state media claim that global awareness of the BRI has tripled between 2014 and 2017, increasing from 6 percent to 18 percent in a survey of 22 countries.² Nearly 30 world leaders and representatives from 110 countries and international organizations attended the BRI Forum in May 2017. The event, hosted by President Xi Jinping, received significant global coverage. Attention and awareness continues to climb, especially in the West. In recent weeks, the *Financial Times*,³ the *New York Times*,⁴ and other international outlets have all included reporting on BRI-related projects.

¹ "Our bulldozers, our rules," *The Economist*, July 2, 2016. <https://www.economist.com/news/china/21701505-chinas-foreign-policy-could-reshape-good-part-world-economy-our-bulldozers-our-rules>. Some estimates for fully implementing the BRI are even higher, reaching \$8 trillion.

² Martin Guo, "2016-2017 China National Image Global Survey," Kantar, January 11, 2018. <https://us.kantar.com/business/brands/2018/2016-2017-china-national-image-global-survey/>

³ Emily Feng, "China-Kazakhstan border woes dent Silk Road ambitions," *Financial Times*, December 20, 2017. <https://www.ft.com/content/1606d70a-9c31-11e7-8cd4-932067fbf946>

⁴ Andrew Higgins, "China's Ambitious New Port: Landlocked Kazakhstan," *New York Times*, January 1, 2018. <https://www.nytimes.com/2018/01/01/world/asia/china-kazakhstan-silk-road.html>

But for all the attention the BRI receives, there is little reliable information about how it is unfolding in aggregate. A major challenge is that the BRI label evades classification. There is no agreed-upon definition for what qualifies as a BRI project.⁵ There are roughly 70 countries participating in the BRI, according to Chinese state media. Yet there are Chinese-funded projects in non-participant countries that share many of the same characteristics. The BRI was officially launched in November 2013, but projects started years earlier are often counted. The BRI banner hangs over a wide and ever-expanding list of activities. There are BRI fashion shows, concerts, and art exhibits. By design, the BRI is more a loose brand than a program with strict criteria.

Infrastructure is a major component of the BRI and provides a window into its drivers and broader implications. For three years, the Reconnecting Asia Project at the Center for Strategic and International Studies (CSIS) has been tracking infrastructure projects across the Eurasian supercontinent. Our website, ReconnectingAsia.CSIS.org, has an interactive map, an open-source database of over 2,200 transportation projects, and expert analysis. To date, this database has focused on transportation projects: road, railroads, seaports, and dry ports. It will expand in the future to include power plants, pipelines, telecommunications, and other connectivity infrastructure. China is not the only focal point of this database, which covers all funders, but it is the most active.

As this database grows, several trends are emerging. First, China is often the biggest spender, but it is not the only consequential actor. Across the Eurasian supercontinent, three zones of competition are emerging. In Southeast Asia, Japan is outspending China in several countries. In Central Asia, the Asian Development Bank and other multilateral development banks (MDB) have significant activities underway. In Eastern and Central Europe, European funders remain dominant in many countries. To be sure, this is not a zero-sum contest, and there are numerous projects with both Chinese and MDB funding. These areas will be important to watch as China continues to compete with, and adapt to, other visions for connectivity.

Second, Chinese projects are less open to local and international participation. Out of all contractors participating in Chinese-funded projects within the Reconnecting Asia database, 89 percent are Chinese companies, 7.6 percent are local companies (companies headquartered in the same country where the project was taking place), and 3.4 percent are foreign companies (non-Chinese companies from a country other than the one where the project was taking place). In comparison, out of the contractors participating in projects funded by the multilateral development banks, 29 percent are Chinese, 40.8 percent are local, and 30.2 percent are foreign.

These findings illuminate some difficult practical and political realities. Practically speaking, it should not come as a surprise that Chinese companies are winning more contracts for Chinese-funded projects. Despite official rhetoric about the BRI being open and global, it is a China-centric effort. Chinese companies are also extremely competitive in the transportation sector. It is possible that Western firms are more competitive in providing related services around these projects, such as consulting and legal services, but further research is needed. China's advantage also stems from some of the tools it uses, which are explained further in the next section.

⁵ Rather than adopt a superficial definition, I use the phrase "BRI-related project" broadly to describe infrastructure projects with Chinese funding.

Third, Chinese projects are less transparent at earlier stages of the project lifecycle. The Reconnecting Asia Project recently ran an experiment that scored the project pages in our database for completeness. Projects with more data fields completed received more points. Scoring was adjusted based on the project status. A project that is just under negotiation, for example, would not be expected to have as much information as a completed project. We found no meaningful difference in the amount of information available for Chinese-funded projects versus projects supported by various multilateral development banks. They all scored in the low to mid 80's out of 100, roughly B's and B-minuses.

But transparency is tricky. How do you evaluate projects that you cannot find? To get closer to answering that question, we examined the status levels for projects in our database. We have six status levels – beginning with “announced” and ending with “completed” or “cancelled” – and there are some projects for which the status is unknown. What jumped out in this comparison between MDB projects and projects from the China Development Bank is the difference in early stage projects. About 7 percent of our MDB projects are marked as announced, which is the earliest stage in our database. To date, the database does not have any China Development Bank (CDB) projects in the earliest stage (“announced”), and it has a higher percentage of CDB projects that are completed.

These trends could change over time. Indeed, it is in everyone's long-term interest that projects are open and transparent. Greater openness and transparency benefits recipient countries by ensuring the companies participating are the best for the job. If there is little or no information available publicly about early stage projects, it is impossible to have an open and fair competition. Even China stands to benefit over the longer term. Right now, U.S. and other Western firms are genuinely interested in participating in BRI-related projects. But unless there are more opportunities to participate, that interest will wane and suspicion will rise. More countries will start to ask why they joined the BRI, and those that have not joined will not.

The Visible Hand: China's Tools

China uses several tools to boost its exports, many of them now falling under the BRI banner: national champions, credit, infrastructure, and trade agreements. Chinese state-owned enterprises (SOEs) often benefit from tremendous scale and subsidies. They have dramatically moved up the global rankings in recent years. In 2000, Fortune's Global 500 list of the world's largest companies by revenue included 10 Chinese firms, of which 9 were state-owned.⁶ In 2017, the list included 107 Chinese firms, of which 75 were state-owned. This trend is especially stark in the construction industry. In 2017, seven of the ten largest construction companies in the world, by revenue, were Chinese.⁷ When Chinese SOEs compete for foreign contracts, they bring these advantages to the table.

⁶ “The changing headquarters landscape for Fortune Global 500 companies,” Ernst & Young LLP, October 31, 2017. <https://taxnews.ey.com/news/2017-1810-the-changing-headquarters-landscape-for-fortune-global-500-companies>

⁷ “Top 250 Global Contractors,” Engineering News-Record, August 2017. <https://www.enr.com/toplists/2017-Top-250-Global-Contractors-1>

Credit is a powerful incentive. According to researchers at William and Mary, Chinese lending during 2000-2014 totaled \$354.4 billion, with lending highest in the transport and power sectors.⁸ Of these loans, about three quarters had commercial terms. China is successful at locking in higher rates because it agrees to assume risks that other lenders will not. In Sri Lanka, which I visited earlier this month, China was willing to provide a \$1.3 billion loan for a new port after MDBs declined. After Sri Lanka could not repay the interest on its debt, China agreed to take equity in the port. China is also proactive, offering to pursue projects without solicitation. Its loans to Sri Lanka now exceed \$8 billion, a sum that grew as leaders found each project too tempting to turn down.⁹

Infrastructure projects have short and long-term implications for Chinese exports. In the short term, these projects are aiding Chinese exports of construction-related goods. Chinese exports to Pakistan, for example, increased 77 percent between 2012 and 2015.¹⁰ Chinese producers of steel, concrete, and other construction materials stand to benefit from projects that use them, as do Chinese engineering and construction firms. These activities provide important but modest relief for Chinese overcapacity, a problem that will still need to be addressed even if the BRI's ambitious spending targets are reached. Despite the BRI's scale, it is too small to solve China's overcapacity challenges.¹¹

Over the longer term, new infrastructure could facilitate trade by improving connectivity between China and its trading partners. The actual impacts will depend on both macro and micro factors, such as the trajectories of the recipient economies and whether the right projects were selected. There is no question the region needs infrastructure investment. Developing Asia alone requires \$26 trillion in infrastructure investment between 2017 and 2030 to maintain current growth rates and adapt to climate change, according to ADB estimates.¹² If all that infrastructure appeared tomorrow, flawlessly built where markets required it, there would be large trade gains. But many barriers to trade would still remain, from onerous customs paperwork to divergent standards. Upgrading Asia's "soft" infrastructure will be important as well.

Trade agreements could provide that upgrade, and they have been placed under the BRI banner as well. Chinese officials have described a network of free trade agreements that would support the BRI, but to date, China appears primarily focused on bilateral trade deals.¹³ Given the diverse list of countries participating in the BRI, a BRI-wide trade agreement is highly unlikely. While lowering barriers between China and individual markets, additional bilateral deals could further

⁸ AidData. 2017. Global Chinese Official Finance Dataset, Version 1.0. <http://aiddata.org/data/chinese-global-official-finance-dataset>

⁹ Kai Schultz, "Sri Lanka, Struggling With Debt, Hands a Major Port to China," *New York Times*, December 12, 2017. https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html?_r=0

¹⁰ Henny Sender and Kiran Stacey, "China takes 'project of the century' to Pakistan," *Financial Times*, May 17, 2017. <https://www.ft.com/content/05979e18-2fe4-11e7-9555-23ef563ecf9a>

¹¹ David Dollar, "China's rise as a regional and global power: The AIIB and the 'one belt, one road'" Brookings, July 15, 2015. <https://www.brookings.edu/research/chinas-rise-as-a-regional-and-global-power-the-aiib-and-the-one-belt-one-road/>

¹² Rana Hasan, et al. "Meeting Asia's Infrastructure Needs," Asian Development Bank, February 2017. <https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates>

¹³ Jonathan Hillman, "Belt and Road Summit: Beijing's Push on Trade," *The Cipher Brief*, May 2, 2017. <https://www.thecipherbrief.com/belt-and-road-summit-beijings-push-on-trade-2>

complicate a web of rules that firms struggle to navigate, as could the 130 transportation agreements that China says it has concluded with BRI participants.¹⁴ Neither of these efforts has the trade-promoting potential of a high-standard regional agreement or a truly multilateral effort.

Equally important is how China brings these tools together. China's approach is centralized yet flexible. It is centralized in bringing together many of the above elements in a single deal. When a recipient country considers an offer from China, it often interacts with all the key actors, who often present a unified front. This differs from the "Western approach," which involves dealing separately with a wider range of actors, including some who coordinate loosely, others that operate independently, and others that actively compete with each other.¹⁵

China's approach is flexible in at least three respects. First, China is willing to work with any government. While this approach predates the BRI, it can be seen in the list of BRI participants, which even includes participants with active conflicts, such as Syria and Yemen.¹⁶ Second, China is often willing to build to budget and with less stringent requirements for meeting social and environmental safeguards. Third, China is flexible in negotiating payment terms. It is willing to accept natural resources, for example, and when loans cannot be repaid it is sometimes willing to take equity. Centralization and flexibility provide more ways to get to "yes," and they help get there faster.

All these tools magnify short-term incentives for starting projects, but they can also mask long-term risks.

Access and Influence: Economic and Political Impacts

The economic and political impacts of the BRI are difficult to isolate and could even have opposing short and long-term implications. As noted earlier, the BRI is more a brand than a master plan with specific criteria for project inclusion. Temporally, functionally, and geographically, what counts as a BRI project is open to interpretation. Even obvious cases can have complicating factors. For example, there is a lag between the announcement of infrastructure projects, construction, completion, and usage. The economic impact of a recently-completed railway project, for example, will not become clear for several years. This is a frustrating answer, particularly for a hearing with a title that reminds us that the BRI's fifth anniversary is later this year. Consistent, long-term monitoring of BRI-related activities will be important for finding more exact answers.

Chinese government statements about the BRI's economic impacts help illustrate these challenges. Chinese officials and state media often frame the BRI's impacts in broad terms. It is common to hear about trade, investment, tourism, and other flows between China and "BRI

¹⁴ "China signs over 130 transport pacts with Belt and Road countries," CGTN, April 21, 2017. <http://www.scio.gov.cn/31773/35507/35520/Document/1549108/1549108.htm>

¹⁵ For more research on differences between Western and Chinese approaches to infrastructure, see: CSIS and Stanford Global Projects Center, "Constructing a New Global Order," December 18, 2017. <https://www.csis.org/events/western-and-chinese-infrastructure-development-abroad>

¹⁶ Jonathan Hillman, "Will China's Belt and Road stretch further?" *Nikkei Asian Review*, December 26, 2017. <https://asia.nikkei.com/Viewpoints/Jonathan-Hillman/Will-China-s-Belt-and-Road-stretch-further>

partners” or “BRI countries.”¹⁷ Some studies have claimed the BRI is greatly enhancing these connections. But they use questionable timelines, often relying on data that predates the BRI, and do not separate recent developments from economic trends that were underway before the BRI. Other popular metrics are often incomplete. For example, Chinese state media trumpet the increase in freight train services between China and Europe. But they do not state the value of cargo carried, and they rarely refer to trains traveling in the opposite direction, which occur less frequently and carry more empty containers.

With these challenges in mind, there are some nascent trends that merit further observation. First, Chinese outbound capital restrictions appear to be more relaxed for BRI-related transactions. Deals that might be classified as advancing the BRI are more likely to be approved, and to be approved faster.¹⁸ In contrast, China has been reining in outbound deals for foreign real estate, entertainment, and sports teams.¹⁹ Third, the BRI’s emphasis on infrastructure has helped boost Chinese exports of construction-related goods and services. The longer-term trajectories of these trends, whether outbound capital is invested effectively and transportation corridors mature into economic corridors, hinge on implementation.

Politically, China is already benefitting from the BRI with individual countries and globally. Traditional partners like Pakistan, where BRI-related investments total roughly \$62 billion, have become even closer. Chinese infrastructure loans have helped persuade some countries, including the Philippines and Cambodia, to reevaluate military or diplomatic ties with the United States. China is also forging ties with countries further west, particularly those in Central and Eastern Europe. China’s “16+1” framework brings together a diverse set of countries in the region, many of whom have little in common other than their interest in doing business with China. These and other developments suggest the BRI is producing political dividends.

Globally, the BRI positions China as the leader of a new form of globalization. Much of this rhetoric sounds familiar, but carries a different meaning. For example, in his opening remarks at the BRI Forum in May 2017, Chinese President Xi Jinping spoke about upholding the multilateral trading system, liberalizing investment, and promoting transparent rules. “We should build an open platform of cooperation,” he urged, “and uphold and grow an open world economy.” But the BRI’s openness is questionable, as evident in the contractor trends noted earlier. Yet other countries are beginning to echo this rhetoric. Several have announced their intentions to “link” their national development plans and broader economic initiatives with the BRI.

Economically and politically, the BRI also faces near-term constraints and longer-term challenges. When smaller economies do business with China, they are often balancing rather

¹⁷ In addition to their analytical shortcomings, these framings should also be avoided because they carry negative political connotations. Terms like “BRI country” subtly subvert each country’s independence to China.

¹⁸ Drazen Jorgic, “In Pakistan, China presses built-in advantage for ‘Silk Road’ contracts,” *Reuters*, June 13, 2017. <https://www.reuters.com/article/us-china-silkroad-pakistan-insight/in-pakistan-china-presses-built-in-advantage-for-silk-road-contracts-idUSKBN19503Y>

¹⁹ Dominique Fong and Esther Fung, “Chinese Property Shopping Spree Fades as Beijing Hits the Brakes,” *Wall Street Journal*, October 31, 2017. <https://www.wsj.com/articles/chinese-property-shopping-spree-fades-as-beijing-hits-the-brakes-1509454804?mg=prod/accounts-wsj>

than directly aligning themselves. Dependencies can develop over time, of course, as Sri Lanka's experience illustrates. But smaller countries also seek to diversify their economic relationships. In 2016, for example, every leader that took office in Southeast Asia discussed infrastructure projects with both China and Japan. "This is a good competition," Indonesia's Finance Minister Sri Mulyani Indrawati said last year.²⁰ A key question for the longer term is whether this competition fosters a race to the top in standards and quality, or a race to the bottom.

Not all the BRI's political impacts have been positive. For some countries that have signed on, there is a gap emerging between expectations and actual benefits. South Korea has embraced the initiative, for example, but it has yet to cooperate with China on concrete projects. Economic cooperation has been held up by differences over North Korea, highlighting how the BRI can quickly take a backseat to other interests.²¹ The BRI has been met with various degrees of skepticism and concern elsewhere, such as Western Europe, Japan, and India. The BRI's roster may seem long at roughly 70 participants, but that still leaves about 125 countries that have not joined. Ultimately, the BRI's longer-term political impacts hinge on its execution and its economic performance.

Over time, support for the BRI could decline and even turn against China. Large infrastructure projects are rarely delivered on time, on budget, with their promised benefits—even in the best business environments.²² Most BRI-related projects will encounter difficulties in the coming years. Projects that rely too heavily on Chinese labor, rather than local labor, can stoke resentment. Some projects will fail outright. Others will creep along and succeed only partially – delivering some commercial benefits, for example, while also introducing environmental costs. When projects disappoint for any reason, China stands to suffer reputational damage. What looks like boldness today might look like hubris in two decades.

The BRI is also constrained by China's domestic political imperatives. The BRI aims to increase the flow of goods and people, but China's overbearing security presence near border areas is suffocating commercial activity. Chinese capital controls, while favoring outbound investment for BRI-related projects, are still inefficient and overly restrictive for inbound investments. The BRI aspires to promote the exchange of ideas and knowledge, but Chinese censorship is increasing. These trends all contradict the BRI's expressed goal of improving global connectivity. Beijing's dilemma is that greater connectivity requires giving up some control.

Winning Business and Shaping Systems: U.S. Economic Interests

Whether the BRI succeeds or fails, its vast scale and scope guarantees consequences for U.S. interests. The United States has a range of economic interests at stake, from immediate commercial opportunities to ensuring the viability and stability of major global systems in the

²⁰ Shotaro Tani, "Indonesia minister: Japan, China rivalry good for Asian infrastructure," *Nikkei Asian Review*, May 5, 2017. <https://asia.nikkei.com/Politics-Economy/International-Relations/Indonesia-minister-Japan-China-rivalry-good-for-Asian-infrastructure>

²¹ Jonathan Hillman, "South Korea bids to close rift with China," *Nikkei Asian Review*, December 13, 2017. <https://asia.nikkei.com/Viewpoints/Jonathan-Hillman/South-Korea-bids-to-close-rift-with-China>

²² Bent Flyvbjerg, 2017, ed., *The Oxford Handbook of Megaproject Management*, Oxford University Press, Chapter 1, pp. 1-18. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2742088

longer term. Commercial opportunities should exist for U.S. suppliers, service providers, and investors to participate in BRI-related projects. To date, U.S. suppliers that have participated have often done so through joint-ventures with Chinese firms. There are also opportunities for U.S. logistics firms and other potential users of completed projects. Hewlett-Packard, for example, was an early pioneer of the direct China-Europe freight trains that are now expanding. To date, however, U.S. and Western firm participation in BRI-related projects has been relatively modest.

At least three barriers stand between U.S. companies and BRI-related projects. First, companies need access to timely and accurate information about BRI-related opportunities. Many U.S. companies are now aware of the BRI's potential scale and wide range of activities, but they are struggling to identify concrete business opportunities. As noted earlier, one of the nascent trends in the CSIS Reconnecting Asia database is that public information about some Chinese-funded projects is more difficult to obtain in the project's earliest stages, which is typically when bids are solicited. Greater transparency would help.

Second, after learning about specific opportunities, U.S. companies sometimes confront an uneven playing field. Many of the tools for advancing the BRI noted earlier give Chinese firms an edge in winning contracts. National champions benefit from state subsidies. Financing can be tied to picking Chinese firms. As noted earlier, the low participation of U.S. contractors in Chinese-funded transportation projects is not a challenge unique to U.S. firms but affects non-Chinese firms more generally. Different methods for estimating project costs and revenues can also favor Chinese firms. These considerations extend beyond U.S. competitiveness and also impact recipient countries, which risk entering commitments without fully accounting for operations, maintenance, and other lifecycle costs.

Third, even if competition is open and fair, a host of risks can outweigh the potential rewards for U.S. firms. Partnering with foreign firms can present IP-theft risks. Elections, corruption, complicated land rights, and other political and legal risks can threaten a project's viability. Funding risks arise from the capital-intensive nature of infrastructure projects, long repayment schedules, and the challenges that developing economies might encounter along the way.²³ When projects are completed, weak demand and other operational challenges remain. These risks are a primary reason why U.S. institutional investors, such as pension funds and insurance companies, rarely venture into emerging market infrastructure.

Even more important to U.S. economic interests is the BRI's longer-term impact on major global systems. Since World War II, the United States has played a leading role in creating, expanding, and defending open trade and financial systems. The United States has done this not merely out of goodwill, but also out of self-interest. U.S. economic strength flows from the dynamism of its private sector and the U.S. economy's central position within these systems. Of course, globalization has also produced costs at home, a critical challenge that must be addressed but is outside the scope of this hearing. But as foreign markets have grown over the past seven-plus decades, so has the United States.

²³ David Wijeratne, et al. "Repaving the ancient Silk Roads," PricewaterhouseCoopers, May 2017. <https://www.pwc.com/gx/en/growth-markets-centre/assets/pdf/pwc-gmc-repaving-the-ancient-silk-routes-web.pdf>

A BRI that succeeds on China's terms could revise these systems to reflect Chinese interests. Changes would be seen in supply chains for goods, from manufactured products to energy and other resources. China's currency would become more widely used. Chinese technical standards, for everything from high-speed railway systems to wireless networks, would become more widely adopted, as would Chinese preferences for environmental and social safeguards. Collectively, these changes would push the United States away from its current position in the global economy and move China toward the center.

A BRI that fails also has implications for U.S. economic interests. The financial burden that developing economies are assuming through Chinese loans is considerable. Many recipients are counting on sustaining high GDP growth to pay back their loans, setting ambitious targets that leave little room for error or unexpected events. Many of today's assumptions about China are also based on its spectacular rates of growth over recent decades. Events within or outside China could lead to enough of these loans failing as to impact the broader global economy. Rather than helping write the next chapter in regional integration, a failing BRI could set the region back, harming global growth.

These economic developments carry strategic implications as well. A separate panel will address strategic concerns in greater detail, but two areas are intimately tied with the BRI's infrastructure focus and should be briefly noted. First, transportation infrastructure is dual-use, meaning that it can be used to move goods to market as well as militaries to battle. Second and more broadly, the United States has the same fundamental interest it has had since World War II in ensuring that no single power dominates the Eurasian supercontinent. If a hegemon does emerge, history suggests that new infrastructure will be an important indicator and vehicle for influence.

Recommendations

The United States must not only be vigilant, it must advance a vision of its own for the region. It is sobering to recall the U.S. position in Asia at the beginning of this century. In 2000, a bipartisan commission at the Harvard Kennedy School examined U.S. national interests and noted, "No country in East Asia, including China, appears capable of seriously challenging US leadership any time soon unless America, through neglect or indifference, were to create a vacuum."²⁴ Today, the U.S. position in Asia is considerably weaker. Neglect can be seen in the U.S. decision to withdraw from the Trans-Pacific Partnership. Indifference can be seen in the absence of a positive U.S. economic vision for the region.

The Administration's support for a "free and open Indo-Pacific" is a welcome development. Featured prominently in both the U.S. National Security Strategy and National Defense Strategy, this framing has several strengths. It focuses on what is likely to be the main arena for great power competition, economically and strategically, in the twenty-first century. It emphasizes the maritime domain, which despite the BRI's ambitions to create new economic corridors across the

²⁴ Graham Allison, et al. "America's National Interests: A Report from The Commission on America's National Interests," Harvard Kennedy School, July 2000. <https://www.belfercenter.org/publication/americas-national-interests-report-commission-americas-national-interests-2000>

Eurasian landmass, will remain the primary conduit for global trade. It positions the U.S. to work closely with allies and partners in the region, many of whom have expressed similar aspirations.

But more must be done to operationalize these ideas. Resources matter more than rhetoric. For example, it is necessary but not sufficient to warn recipient countries against risky lending and questionable projects. Put yourself in the shoes of a foreign leader seeking international support for infrastructure projects. On the one hand, you have offers for specific projects that could start immediately. On the other hand, you have warnings about medium and long-term risks. Politically and psychologically, the scales are tilted toward taking the risky offer today. Even the strongest language is not likely to persuade recipient countries to turn down risky infrastructure offers, particularly those with acute development needs. What's needed are better alternatives.

Working with the Administration, Congress has an important role to play in operationalizing the "Indo-Pacific" concept and expanding the availability of better financing alternatives. First, Congress should direct the Administration to establish standards and principles for infrastructure investment in the region. There is growing recognition about the importance of "quality infrastructure," but there are competing definitions for what quality means. The challenge is not only building consensus about preferred outcomes, but also the processes that lead to better outcomes. These standards would cover procurement, environmental and social safeguards, and debt sustainability, among other issues.

Second, to build international support for these principles, Congress should preserve U.S. influence in the World Bank, Asian Development Bank, and other multilateral development banks. China alone cannot meet Asia's infrastructure needs, and these institutions will remain central in setting standards and providing alternatives. The Administration can also build support by working with partners and allies and through the G-20 and other multilateral bodies. Done correctly, these principles will take hold not only in Asia, but in other regions where competing approaches exist, such as Eastern and Central Europe.

Third, to help U.S. companies compete overseas, Congress should strengthen the U.S. foreign economic policy toolkit. Concerns about the Export-Import Bank and Overseas Private Investment Corporation crowding out private sector investment, while grounded in economic theory, are at odds with economic reality. Foreign governments have already tilted the playing field. There is merit in considering whether some U.S. commercial agencies could be consolidated and streamlined for greater efficiency and unity of action, but the bottom line is that their activities should be fully resourced, as should the U.S. Department of State.

To be sure, the United States should not aspire to replicate the BRI's scale with federal spending. But through resourcing the efforts mentioned above, the U.S. and its partners and allies can expand private sector investment. Globally, institutional investors—such as pension funds, mutual funds, insurance companies, and others such as sovereign wealth funds—manage more than \$100 trillion.²⁵ Only a small fraction of that largess is invested in infrastructure. The actions

²⁵ Rabah Arezki, et al. "From Global Savings Glut to Financing Infrastructure: The Advent of Investment Platforms," International Monetary Fund, February 2016.
<https://www.imf.org/external/pubs/ft/wp/2016/wp1618.pdf>

recommended above would help manage risks, expand the pool of bankable projects, and mobilize more private capital.

The BRI has all the marks of a difficult foreign policy challenge. It is a slow-moving development that will unfold in decades rather than days. It is functionally and geographically vast, spanning the responsibilities of many U.S. agencies. It requires grappling with both economics and security issues. It will be tempting to delay action and difficult to coordinate an effective response. Ultimately, the best U.S. response to the BRI is not a response at all, but a compelling U.S. economic vision, resourced strategically and sustained over time.