

**Summary Record of Development Issues Committee Meeting**  
**US Assistance is More Valuable than One Belt, One Road:**  
**A Conversation about Competition with China**

**June 16, 2021**

Committee Co-chairs Steve Giddings and Steve Haykin opened the meeting, welcomed the 40 participants, and introduced the discussion leaders (bios attached):

- Bonnie Glick, Senior Adviser, Center for Strategic and International Studies, and
- Justin Finnegan, Managing Director – Asia/Pacific (APAC) for Bloomberg New Economy

Bonnie is the former Deputy Administrator of USAID and Justin is a former Deputy Assistant Administrator of USAID's Bureau for Food Security who has lived and worked in China.

Steve Giddings invited the speakers to offer their opening remarks, noting that China introduced the Belt and Road Initiative in 2013 as a multi-trillion-dollar initiative to reach more than 70 countries with related infrastructure projects.

Bonnie called attention to China's rise as a global power over recent decades. China's role in emerging markets was initially viewed with some complacency by those who had lived through the Cold War with the former Soviet Union. But China has become a significant adversary. It has made major advances through loans to developing countries, which have advanced China's ambitions. For example, it has obtained control over Sri Lanka's principal port through loan financing for that facility and has financed major infrastructure projects in Djibouti, including its Red Sea port, greatly increasing that country's debt to China.

In May 2019, Bonnie recalled, she spoke to an audience of Caribbean ministers at a State Department conference. She chose to talk about 5G technology and learned that the ministers were still living in the era of 3G in their countries. This was a clear reminder that USG concerns about China and 5G were beyond the aspirations and concerns of many developing economies that lacked access to digital tools.

She noted that US economic sanctions directed against Huawei have proved effective. Other tech companies that manufacture cell phones benefited, but so did the developing countries that were at less risk of exposure to potentially harmful Chinese manipulation of their telecommunications systems.

We now find there is a need and a demand for development agencies like USAID to focus on economic growth in the post-COVID-19 environment. One aspect of that is the need to adjust supply chains to be less dependent on China. We need to support countries like Vietnam and Indonesia in their sustainable development efforts that have resisted Chinese domination.

Justin noted that he had lived and worked in China for a long time. He recalled a memorandum of understanding reached with China by the Obama administration on potential cooperation in support of development. However, the subsequent Chinese hacking of USG personnel records changed the discussion – and thinking – within the USG about cooperative relationships with China in support of economic and social development. Going forward, China will be a major consideration in the evolution of US development policy. Competing with China has become a whole-of-government priority.

From a high level, the Belt and Road Initiative arose out of a speech by Xi Jinping and has been evolving as a policy for China's relations with developing countries and emerging economies. China has seen infrastructure as an area of considerable opportunity. They have capacity for building infrastructure of good quality at low cost.

China began to offer packages that included participation by major Chinese firms (such as Huawei), building not only physical infrastructure but also telecommunications and other scientific infrastructure. China also expanded its financial ties with developing countries through its founding of the Asian Infrastructure Investment Bank, which – together with the Chinese Export-Import Bank – provides increased access to funding by developing countries. The combination of Chinese government-dominated multilateral banks and Chinese state companies makes for a powerful Chinese role in many developing countries.

In a growing number of countries, Chinese contributions have been narrowly focused on specific projects or particular sectors, without regard to the local political, economic, and institutional context. This has left countries that were not really prepared to manage and absorb the Chinese investments to fail to gain the benefit they had anticipated.

For the US, this experience demonstrates the need for whole-of-government approaches that advance more balanced development. For example, US support for domestic resource mobilization has been an important contribution for countries that had become overly reliant on donors such as China.

Steve Giddings asked Justin and Bonnie about the prospects for the recently created China International Development Cooperation Agency (CIDCA) becoming more like U.S. and western aid agencies with a broader development vision than

simply promoting China's foreign policy interests (see the new January 2021 white paper on development cooperation available at <http://epaper.chinadaily.com.cn/a/202101/11/WS5ffb7d83a31099a23435323b.html>). Bonnie noted that the goal of self-reliance and ending dependence on aid, exemplified by USAID's strategy of the "Journey toward Self-Reliance," was not shared by China and that China's development strategy still tends towards creating continued dependence on China. (See USAID Policy Framework, <https://www.usaid.gov/policyframework/documents/1870/usaid-policy-framework>.) She expressed some admiration of China's ability to act coherently and with a whole-of-government approach, while the US was often not well coordinated. Justin added that the Chinese private sector was an integral part of China's interventions in developing countries. While the US has a larger private sector, its efforts are not well coordinated with what the USG is doing in developing countries.

Steve Haykin moderated questions from the meeting participants:

With regard to natural resource exploitation, Bonnie indicated that China's pursuit of natural resources, including rare minerals, really relates to its need for food to nourish more than a billion people, most of whom are still in low-income status. We see China engaging countries like Argentina that have the capability to produce large quantities of food. Justin added that China's pursuit of hegemony is in the context of a preoccupation with internal needs and conditions. It needs to be able to feed and satisfy the needs of a growing middle class and an aging population. US soft power that addresses concerns with trafficking in wild animals and rare elements is finding favor with developing countries.

Regarding the influence of the growing middle class in China, Justin recalled the terrible pollution in Beijing 20 years ago and observed that industry had been forced to move out of the center of the city because of middle class demands. The need for a focus on internal conditions will continue to dominate Chines foreign policy. Bonnie added that China's internal policies that discriminate against and harm the Uighur population and other minorities are based on the governments perceptions of internal priorities. The US needs to stand by its principles and speak out against these Chines policies that violate human rights.

Regarding preferences of some countries for Chinese financing over World Bank loans, Bonnie pointed out that this is a consequence of a system in which China receives a significant share of World Bank loans while then offering more generous conditions for developing countries through its own instruments. Justin observed that Chinese financing is losing favor with some developing countries and that, in response to this, the Asian Development Bank (headquartered in Manila with Japanese leadership) has been increasing its lending for infrastructure.

As to what the US should do in light of China's manipulation of World Bank financing, Bonnie recalled that there had been better USG coordination of development strategy in the shadow of the Cold War. We have nonetheless seen some restoration of coordination during the current pandemic. Prosper Africa, an initiative to promote trade between Africa and the United States, is an example of more genuine public-private cooperation in which there is good internal USG coordination.

Justin acknowledged that China had certain competitive advantages over the United States. However, we need to be careful not to respond by adopting inward-looking policies to advance our own interests, even at the expense of others. We need to act in ways that are consistent with our values, including respect for human rights.

Regarding examples of resistance by developing countries to Chinese approaches, mention was made of the resentment of China's use of COVID-related personal protective equipment as a bargaining chip to be granted or withheld depending on how favorable the requesting country was to China's interests. The US has something to gain by offering assistance in a manner consistent with its values in this regard.

Regarding the G7 commitment to build back better in infrastructure, Bonnie expected that there would be some increased infrastructure investment from this initiative.

Attachments:

Discussion leaders' biographies.