A SYMPOSIUM OF VIEWS

Will China's New Trade/Debt Diplomacy Strategy Reshape The World?

A century ago, the British Empire dominated global trade, and now China appears to be making a solid play to assume a similar leadership role, with one key difference: China's goal seems to be a projection of power through infrastructure building, not military force. Its Belt and Road Initiative already has nearly $1 trillion in projects planned or underway in the form of roads, ports, rail, pipelines, and power generation across Asia and reaching into Europe and Africa. Another $1 trillion is planned for the coming decade, spanning over sixty countries.

Because China's financing generally comes in the form of loans, not aid, observers have coined the term "debt-trap diplomacy," by which China gains favorable access to the projects it finances as a form of loan repayment, thereby expanding its influence and relative advantage.

Will China's "Belt and Road" strategy lead merely to dominance in trade, with eventually significant worldwide political backlash? Or will the Belt and Road Initiative eventually reshape the international landscape, affecting the dollar's role as reserve currency, the regulation of financial markets, the traditional role of the U.S. military, and even the role of NATO? Will China use debt diplomacy to successfully dominate the world? Or will China's own domestic problems of massive debt and bloated state-run corporate giants, combined with a rapidly aging society, stymie its plans?

Three dozen important observers offer their views.

What the Trump administration needs is less a response than an alternative U.S. vision and strategy.

GLENN HUBBARD
Dean and Russell L. Carson Professor of Finance and Economics, Columbia Business School, Member, U.S.-China Economic and Security Review Commission, and former Chairman, Council of Economic Advisers

Originally "One Belt, One Road," combining two proposals by Xi Jinping in 2013, the Belt and Road Initiative proposes massive infrastructure building across Eurasia to bring development to disparate regions accounting for two-thirds of the world's population and over half of world GDP and soft-power prestige to China. The initiative has paid positive dividends for China, especially in the presence of recent U.S. retrenchment globally.

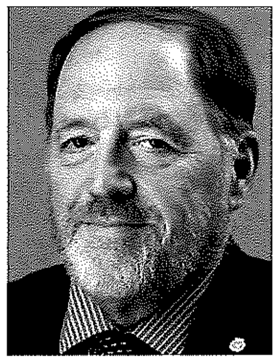
But a cloud remains on the horizon as China's debt burdens and managed economy run counter to the expansionary intent of the initiative. And the United States as well must reconsider Belt and Road's impact on China's global ascension.

On the economic side, the Belt and Road initiative promises continuing stimulus, opening new markets, accelerating currency internationalization, improving energy security, and reducing Chinese excess productive capacity. The initiative also seeks to use new market access and infrastructure assets to influence nations' strategic decisions in the region.

The grand strategy's implementation is scattered throughout China's bureaucracy, making tangible progress assessment difficult. It is intangible benefits that should keep the United States wary, as China's influence waxes and that of a United States withdrawing from the Trans-Pacific Partnership wanes.

Success for China is not guaranteed. Though part of realizing Xi Jinping's "China dream of the great rejuvenation of the nation," carrying out the Belt and Road Initiative confronts fiscal realities that complicate success. Chinese debt burdens will limit China's ability to fund infrastructure aggressively (a problem not unfamiliar to U.S. policymakers). At some point, China must balance initiative goals against using resources to maintain domestic economic and financial stability.

And the United States faces a wake-up call. The Belt and Road Initiative carries the mark of a tough foreign policy challenge—spanning national security and economic policy and spanning U.S. agency responsibilities. What the Trump administration needs is less a response than an alternative U.S. vision and strategy to advance a liberal international order over China's illiberal regional security order. Rejoining the Trans-Pacific Partnership and strengthening the U.S. economic role in Eurasia would be a good place to start.



When you have state-owned banks and capital control, non-performing loans are just a form of deficit spending.

JAMES K. GALBRAITH
Lloyd M. Bentsen, Jr., Chair in Government/Business Relations and Professor of Government, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, and Chief Technical Adviser to the State Planning Commission of the People's Republic of China for Macroeconomic Reform, 1993–1997

The thought that the phrase "debt-trap diplomacy" had to be coined to describe current Chinese behavior is a classic of projection. *TIE* itself was founded by a partnership, Smick and Medley, forged in the debt-trap crises of Latin America four decades ago. The entire purpose was to engage diplomacy to press for resolutions. And the effect was substantial.

In contrast to the 1970s bankers—let alone to the shysters who caused the Great Financial Crisis in the 2000s—the Chinese are not in this game to make money. The purposes of One Belt, One Road are to secure resources, to keep the mighty juggernaut that is Chinese construction and engineering capacity rolling, to build a unified Eurasian economic region, to become somewhat less reliant on the U.S. Navy for trade route and resource security, and (to a degree) to foster good relations through economic development, taking up a role in poor regions in which the West now engages mainly by cheap symbolism—micro-finance and randomized controlled trials—if at all.

Will China put the debt-squeeze on its new partners later on? It seems to have done so in Sri Lanka, although