

China's Global Ambitions Below the Belt and Road
Featuring Bradley Bowman, Emily de La Bruyère, and Elaine Dezenski
Moderated by Juan C. Zarate

ZARATE: Welcome. My name is Juan Zarate. Welcome to this Foundation for Defense of Democracies webinar. This is China's Global Ambitions Below the Belt and Road. I am the co-founder and chairman of the Center on Economic and Financial Power. We founded the center along with Mark Dubowitz, the CEO of FDD several years ago to focus on the issues of national economic security. We're really proud and pleased to have the opportunity to speak with Elaine, Brad, and Emily today about a new report that we have put out authored by Elaine Dezenski, entitled *Below the Belt and Road: Corruption and Illicit Dealings in China's Global Infrastructure*.

This is an opportunity for us to talk about this report and to talk through the elements of China's global ambitions and what it means for U.S. national security policy. Let me explain the nature of our center and FDD first before we jump into our discussion with our experts. Our center studies issues of national economic security, and when we established it several years ago, FDD wanted to focus on all elements of financial and economic power as it related to geo-economics and geopolitical considerations, and certainly U.S. national security objectives. Those issues, over time, have grown in importance, certainly in the public and political debate, and nothing has grown more important or more central to that debate than the competition with China, and how that competition is playing out in different domains, and in particular, on the economic domain. We're now all suffering through the covid-19 crisis and dislocations, but that has brought one thing that has certainly been a factor and certainly an effect of that crisis is greater concentration on the competition with China and what that means for U.S. national policy. Be it with respect to dependencies on Chinese supplies and supply chain security, be it concerns around Chinese investments in the U.S. economy, especially technologies, or more broadly, the intentions and competition with China on a global basis. And so, that's the baseline for our discussion today.

This is work that the Foundation for Defense of Democracies is doing and it's the topic of Elaine's report with a focus on the Belt and Road Initiative. Let me explain FDD for those of you who are new to FDD. You know, that FDD is a nonpartisan policy institute, one of the most effective policy institutes in the world. We're a source for timely research analysis and policy options for congress, the administration, the media, the private sector, and the wider national security community. We take no foreign government money or foreign corporate funding and do not intend to do so ever.

Today's program is one of many that FDD hosts throughout the year. We'd prefer to do this in person, but given the current state of affairs we're doing this together on this webinar, and really pleased to have you joining us. For this program and others, go to our website fdd.org to get the content of these webinars as well as the underlying content. In that regard Elaine's report, which I think is a remarkable report and we'll get into the details in just a second, is available on today's event page and will be available obviously on our website free for your reference.

Let me jump now to the introduction of our panelists starting with Elaine Dezenski, as I mentioned, the author of the new report. She's a foundational member of our advisory board for the Center on Economic and Financial Power. Elaine is an internationally recognized expert on anti-corruption having worked these issues at the World Economic Forum, having worked at Interpol, having served as Acting Assistant Secretary of the Department of Homeland Security, well recognized for her expertise on security policy and risk management. Really an honor to have Elaine with us today.

We also have with us today Brad Bowman who serves as a senior director for FDD's Center on Military and Political Power, a great sister center within FDD. Brad works very closely with General H.R. McMaster, the chairman of that center, to bring innovative research in the field of military and political power. He's a national security advisor of import in Washington having worked in the Senate Armed Services and Foreign Relations committees, and was for more than 15 years an active duty U.S. Army Officer.

And finally, certainly not least is Emily de La Bruyère, co-founder of Horizon Advisory, a firm that assesses geopolitical technology and economic change. Emily has led extensive China research programs focusing broadly on China's global strategy and has developed novel analytic tools and techniques to look at Chinese ambitions and activities. Her recent work was included in China's competitive COVID-19 response and analysis on China's standardization strategy, which we're going to get into in some detail today.

So all of you welcome, I'm sorry for that long introduction. Elaine, why don't we start with you and talking about the report? I think for those who have a chance to read it, it's a wonderful opportunity to understand the Belt and Road Initiative in detail, and to move through some of the orthodoxy and to pierce through some of the assumptions about what that means, and in particular, what the Belt and Road initiative means with respect to the challenge through the lens of corruption and what Chinese corruption means in the context of that program, but more broadly on a global basis. So Elaine, can you talk to us about the report and its' main findings?

DEZENSKI: Sure. Thanks Juan, Brad, and Emily. Great to be here with you and looking forward to this conversation. Let me give you a little bit of background in terms of how this report came about. I think that's useful as a starting point, and it goes back to conversations, Juan that you and I had over a year ago as we were thinking about what the Center on Economic and Financial Power could contribute around the global anti-corruption conversation, and how reform efforts were moving forward, how lawfare fits into fighting global corruption, and as I was thinking through approaches to put a piece together under the FDD banner, it was very clear to me that something unique and highly concerning was happening within China's global infrastructure strategy as it relates to corrupt practices. And delving deeper into the Belt and Road Initiative, which is a very opaque endeavor on the part of Beijing, yielded some very interesting case studies.

The report talks about Kenya, Sri Lanka, Malaysia, and a number of very high-profile problems that have come up in the context of Beijing's investments in these countries. And these investments have come under the auspices of development assistance along the lines of increased economic cooperation, China contributing to the development of emerging economies really all

over the world. There are many countries who are receiving funds under the Belt and Road initiative, and yet a deeper look suggests that there's something else going on here. And, in fact, the outcomes that are at least publicly intended by these investments are not necessarily being met in the form of high-quality infrastructure. What is happening is a lot of fraud, waste, and abuse which is compromising not only the outcomes of these projects, but causing a lot of concern and appropriate concern, around what China's real objectives are when it comes to these investments.

In many cases the opacity around these investment deals, whether it's in the form of financing or direct investment on the part of Chinese entities and engagement of state-owned enterprises, it's all shrouded in a high degree of opacity which makes it difficult to peel back the layers of actually what's going on. In the cases within the report, I talk about the ones that are, I mean, in some ways good examples of where corrupt practices have led to a response and therefore there's actually public data where we can see how these investment deals have been taking shape and what the ramifications have been. And it runs the gamut from contract terms that are heavily in favor of Beijing, everything is done under this framework of non-interference on the part of China.

Non-interference is the decline of the official policy around BRI Investments, which suggests that China has no interest in interfering in local political affairs. It has no interest in conditioning its investments and its aid, but the reality is that, non-interference is not necessarily what's happening, but what is happening is an erosion of global governance standards around infrastructure development to the point where multilateral development banks in places like East Africa really aren't competitive when they're up against China for investments in infrastructure projects. What does that mean? It means that Beijing's money comes a bit faster, a bit cheaper, but not without strings attached. And, in fact, there's a lot of political influence that we can point to now in the form of pressure from Beijing to push recipient countries on UN votes, recognition of Taiwan, and other objectives that feed into the broader global strategy for China's soft power and heart of our engagement in the world. So BRI is a tool in that sense.

Now, I also think it's a gift because it gives us such a clear lens into what's happening and we can now so clearly point to the implications of some corrupt practices, recognizing that there are a lot of projects that are still very opaque and we may continue to see many more of these examples come forward. We're really at the early stages, but, it's giving us a very concrete set of facts and indications around China's intention to change the rules of the game. And by that, I mean moving away from the basic frameworks that the U.S. has advocated and push forward in the multilateral agenda, particularly in corruption and transparency and good procurement practices, and they're seeking to do this while they're also, China is also, taking more leadership positions within the multilateral system.

So it's playing both sides of this game. It's using bilateral investment and influence and financing to reduce the insistence of good governance principles. On the other hand, China is taking on more and more leadership roles within the very organizations that were set up to do just the opposite, to provide high quality infrastructure.

So, we have a dual-pronged problem and ultimately though, this does lead us back to this idea that we have a bit of a gift because as everybody on the phone probably knows, when we talk about dealing with global corruption risk, kleptocratic governments, the implications of extractive policies that have gone on for years and years, sometimes these problems feel like they're too big to address. Where do we start? How do we get a handle on this? Are we really just talking kind of in the air when we say that there are some ways that we can start to shift systems towards more transparent ways of doing business and ways of approaching investment? And yet, with BRI it becomes very clear that there are things that we can do. And in fact, I think from a strategic perspective, the U.S. can really step forward having a much better track record around transparency, anti-corruption enforcement, global financial reform, and use these tools to offer a better model. And it's a better model for the emerging economies that are in really desperate need of more infrastructure funding, and through this U.S. influence, and the ability to take a more strategic approach on an anti-corruption and transparency agenda, we can also do something which is extremely important and that is bringing in private investors and private institutional capital that might otherwise be sidelined.

Bringing that into global infrastructure development in a way that allows us to really close the gap around the unmet need. Because the reality is, no matter how much China spends through the BRI, it's multi, multi billions, no matter how much the U.S. might put forward through its programs, the global gap is still there, and the way we're going to close this is through private sector investment, but that won't happen until projects are bankable, until the governance risks are mitigated, and along with this process we can we can give a big boost to U.S. firms, western firms, that are looking to participate, and will be more competitive in the context of high-quality infrastructure development.

ZARATE: Elaine there's a lot to dissect there and to unpack. I do want to come back on this on this last point that you made, it's a point that we've made in the center in our research on positive economic power and what the tools look like, and I do want to come back to you on this question of where should we compete and how do we how do we view the map in a sense if we're going to talk about the use of private sector capital as well as U.S. government funding?

I know there's probably listeners or those watching who are interested in this idea, that people are concerned about China's debt diplomacy, right? There's a lot of discussion around that as a strategy, and before we turn to Emily, I did want to get your take on how you view that issue, debt diplomacy. You look obviously the case of Sri Lanka, but I think you have a slightly different view of debt diplomacy than the common orthodoxy. So, I wanted to get your views on how to think about this.

DEZENSKI: Yeah. Well, let's talk about it in the context of Sri Lanka, and that's probably the best case study where there have been many conversations, and there is a point of view, including in Washington, that the objective of Chinese investment in these projects that ill-conceived ports that have no cargo running through them, stadiums that have more states than the local the local population are somehow linked into a Chinese obsession with holding these assets, right? I tend to think that that's not necessarily in Beijing's interests to hold a lot of debt like that and assets that may or may not be useful. What I think is more important is understanding that a lot of these deals that have gone bad, Sri Lanka being a good example of

that, have shown huge exposure for both Beijing and the recipient country. And so, it's not necessarily a good thing to be left with infrastructure that is not built for the intended purposes, but it is very much an indication of what I talked about in the report as "corruption run amok."

So I see it more as an outcome of a lot of corruption as we can see in some of these examples where you know, if a country is looking at three or four different ways to build a porch or build a rail line under the Chinese model, they may be choosing the most expensive way to do that, which is trapping the country within a high-priced infrastructure project that ultimately fails under its own weight. And when you tie in the political influence and the cronyism attendant to these projects, it becomes a mess. And then of course both sides have to figure out how to deal with this, and turning the asset over maybe the way to do that to get that recipient country out of a bind, but I'm not so sure it's a risk reduction strategy for Beijing.

ZARATE: Interesting. All right, Elaine, we're going to come back and talk about several things that you've mentioned. Emily, I want to turn to you in the first instance to get your sense and analysis of how the BRI project, one belt one road, fits into a broader Chinese strategy, because if you talk to different analysts, BRI can mean and suggest different things, and obviously Elaine has just laid out a comprehensive view, and one that looks through the lens of standards and corruption that are in many ways defining features of BRI. But, how have you analyzed and looked at BRI in the context of China's broader standard setting strategy and other ambitions?

DE LA BRUYERE: Yes, absolutely. There are two, there's one important thing to keep in mind with BRI, which is that the ambitions underlying it and the fundamental assumptions about a globalized world and China's ambitions in it are not new. BRI is big and it's an important mechanism, but the strategic undergirding for it dates back decades. It's enmeshed in the go out national strategy, and it's also emmeshed in China's strategic theory of two markets, two resources.

That's a theory that doesn't get talked about a lot in western analysis, but it's decades-old. It's enshrined in the economic thinking of the leaders of the CCP, and it's embedded in every one of China's big industrial plans and strategies. Two markets two resources stands for the delineation between China's domestic market and resources and the international ones. The idea is that you protect your markets while penetrating foreign ones, and you defend your resources while siphoning foreign ones. And that's very intuitive, but it actually entails a subversion of how we think about globalization in the division of labor. This means that China makes a place for itself in the international division of labor, but it doesn't allow its own to be divided, and it makes the world dependent on it, but it doesn't give up its own independence.

And China can do that because it's centralized and because it's big. BRI is a tool to implement two markets two resources internationally. You can look at this as an example in emerging economies. China asserts, not just access to, but also control over their resources allowing it to extend its own conception of what its resources are without surrendering any of its own, and also therefore to claim outside leverage over international supply of resources, and therefore of industries built on top of them. The same goes for markets, and this is super important for understanding China's approach to BRI, which is that, China sees in these emerging economies emerging industrialization, but it doesn't just seek to export its excess market capacity, it actually tries to control that industrialization.

So, if you look at Africa, China's African Development Fund forms joint ventures with Chinese companies to build factories in Africa next to the mines from which it's obtaining their resources. So, you have China's big automobile companies building cars in Africa which allows China to maintain dominance in the low end of global manufacturing even while prices are rising in China. And, this also makes sure that even as Africa develops it does so on China's terms, so fueling China strategy rather than leapfrogging the way China has used its economic growth to leapfrog the rest of the world. And this gets to the standards point, which, Elaine, you teased out so brilliantly, and which is key to this because standards are what enshrine two markets, two resources, Belt and Road, make this a sustainable strategy, and put it the entire world under China's governance. It works to export your factories to Africa without a military presence because they're doing so on Chinese standards and that locks people into China's influence.

This approach also applies to developed economies like the U.S. Two markets two resources works in that China penetrates our financial systems, for example, without letting us access its own, and the standards work whether in telecommunications or in fintech or in multilateral systems because we all end up operating according to Chinese rules, and therefore it doesn't matter that we might innovate better or have more wealth because all of that exists in architecture that's defined by China.

So that's the ultimate play. Both the strategic theory about what globalization is, what economic ambitions can be for China, for understanding Belt and Road, and the degree to which those are so embedded in its historical strategy is critical, and so is the ultimate ambition which is to set the standards for the world. And the one other thing I want to touch on briefly, which I think Brad will probably illustrate in much more detail, is that this isn't just an economic strategy. Beijing positions economically in order to achieve security multilateral diplomatic ambitions. And Belt and Road, as well as all the other manifestations of go out, allow China to project power internationally without an expensive military force in both the international domain and the real economy. And that's a kind of power projection we've never seen before and that has way more coercive potential than any form of military deployment.

ZARATE: Emily that's fantastic. I'm going to want to come back to you to talk a little bit more about the standard, but also what the reaction is in places like Africa and how it's playing out. Elaine's report does a great job of, I think, of talking about some of those reactions, in particular in Africa, and some of the vulnerabilities the Chinese have as a result. So I want to come back to that, but Brad turning to you, it's a great segue from Emily in that grand concern here with BRI, especially the maritime Silk Road is that this is really a mask for broader Chinese ambitions and influence, not just for economic purposes, not just for resource access, but for military purposes and certainly with the creation of the naval base in Djibouti.

The sense that the ports that are being established and controlled have dual use, the activity in the South China Sea with the creation of the islands, etc., all of this looks quite suspicious nefarious and problematic. And so, first of all, how do you view BRI in the context of China's military ambitions? And then I want to talk to you a bit about how you view the economic power domain blending with military power in the great power competition that's emerging.

BOWMAN: Thank you, Juan. Thanks for your leadership of the Center on Economic and Financial Power and for hosting this today. Emily, it's a pleasure to join you as well. Elaine, congratulations on your report. For everyone tuning in, if you haven't already, I really encourage

you to read it. I think you'll agree with me that it's substantive, insightful, and very useful. To everyone tuning in I hope that you and your families are safe and well. Juan, thanks for the question. I view, as your question implies, I view China's Belt and Road Initiative as a tool, or a means to an end. In strategy we always say in a colloquial sort of way to begin with the end, begin with the objective.

And so I asked myself what is the objective of the Chinese Communist Party? It seems to me it's clear that the objective of the Chinese Communist party is to maintain its power and exert increasingly effective authoritarian control at home, to displace and undermine U.S. international leadership, influence, and interest, to push us first out of East Asia and the South China Sea, and then more broadly, and then, as Elaine says in her report, to reshape the global order. And so, what we're looking at, we hear the term great power competition a lot, and that competition is often used in the context of the national defense drive to the Pentagon, American military power, and that's certainly appropriate. We're certainly engaged in a military technology competition unlike anything we've seen in modern American history, but it's much broader than that.

The Chinese Communist party is implementing a comprehensive, systematic strategy that is really integrating all tools of national power very much in a way that, at FDD, with our three centers, we're encouraging the U.S. government to do as well. And the BRI is part of an economic strategy, and as your question also implies, there's a huge relationship or correlation between economic power and military power. I mean, what has made the U.S. military the preeminent military force in modern times, if not in the history of the world, it is really two things, right? It's our technological prowess and the quality and training of our people. That technological prowess and our weapons and our systems, we've been able to buy those because of the size of our economy.

And so, as China's economy comes to the size of ours or surpasses it, they have more money and they have diverted increasing portions of that money to a military modernization that is the most significant we've seen in seven decades in China, and as they have more military power, they're being more aggressive and it's eroded the military supremacy of the United States. Just in a month or two ago, U.S. Indo Pacific command submitted a report required by law to Congress and in that report and stark language that I hope every American hears and understands, the American war fighters were most closest to the China threat said that are our military advantages vis-a-vie China continue to erode and become more unfavorable, and that we don't currently have the systems and war fighting doctrines in place to be successful. And if you look at Chris Bro's recent book, he talks about the war games that we do, and in every one of those war games that he cites we lose.

So, you know that we can talk about the military more, but this what the subject of Elaine's report is so important because sometimes, it's certainly in the Pentagon and elsewhere, we tend to look everything through the military lens and it's so important that we not do that because China is incrementally eroding U.S. interest and interests of our allies through a variety of means, and many, or most of those, are not military, they're economic. They're certainly related, but it's important to view them in a nuanced manner.

ZARATE: And Brad, in terms of how military strategists view this, is it more and more the case that at the Pentagon that the war planners and those at PAYCOM see BRI as a military

plan and a footprint by the Chinese or does it depend on what region you're talking about, what project you're talking about? How is this viewed strategically in terms of the map itself and the overarching project?

BOWMAN: It's a great question. If you talk to folks in the Pentagon and you look at the speeches of the Chairman of the Joint Chiefs of Staff, Secretary Esper, if you talk with the commander of Indo-Pacific command and others, they spend a lot of time talking about things that are not traditionally viewed as military. I think that's important and wise because, as Emily will know better than me, the CCP's doctrine of civil military fusion is an explicit philosophy. You don't have to take my word for it, you look at what the Chinese have said for a long time, and in the U.S., we train ourselves and we often talk about this civil-military divide. We're proud of the fact that the military subordinates, civilian leaders, that goes back to George Washington, it's something that every and open and democratic society is proud of, and it should be that way, but the Chinese Communist Party views it differently.

And so, you know, I've been saying for a while, including when I was in Germany talking to allies late last year, I am of the view we need to banish the concept of a Chinese private sector. That's not to say that there isn't a private – a Chinese company kind of acting in a private capacity – but in my view every Chinese company one phone call from Beijing away from doing the dictates of the party. And so, if you accept that general premise with some nuance added in, that informs what our policy should be toward Huawei. I mean, a Britain or Germany or other allies buy in Huawei thinking it's a private company,

I mean, the own cyber experts of Britain warned that Huawei would obey the orders coming from the CCP. So, if you invite them in to the most sensitive sectors of your economy, you're giving them a portal through which to gather information intelligence on you, to gather data that will inform artificial intelligence and other systems that are helpful to them. You give them bugs and triggers that they could activate in a future conflict, and you also make yourself more dependent on them.

And you know, just one quick anecdote, because I want to hear more from everyone else, is that I was making this sort of argument in Munich, outside Munich late last year to some allies in Germany, and talking about what China is doing, and they were going to publish the report, and then I got an email a few days later saying, "I'm sorry. We can't publish what you're saying –" they put this in an email – "We're afraid of retribution from the Chinese." And so, when you hear that from a NATO ally, one of the largest economies, the largest economy in Europe, that suggests the degree to which this coercion control and intimidation has already snuck its way and it Trojan Horse into some places you wouldn't want to be.

ZARATE: Brad you make a very important point about the challenge of a very different model in China, the state authoritarian model which has then the military overlay, which makes it hard I think for those with a western paradigm around the division between classic government policy, the private sector, military activity to understand the blend from a Chinese strategic perspective. So, it's very important.

Elaine, I want to come to you now, in part, on that, but I do want to have you talk to us about how you view corruption and anti-corruption efforts as a strategic tool and vector in this context. And again, you've already laid out, in part, how this how this plays out, but you've had a

broader mission and vision in this space for a long time that anti-corruption efforts are fundamental in many ways to how we think about national security and, in particular, national economic security. So, can you talk about that and then talk about you know, how does the U.S. compete? You know, we're in a moment of crisis. We can't be everywhere the Chinese are, we can't match them dollar for dollar, or remnant B for remnant B in each of these sites. So how do we compete? And that gets to your final point you were making about the tools that we have in the U.S. government in partnership with the private sector. So, can you talk about the corruption issue as a strategy strategic issue and then this issue of how do we compete in an effective way?

DEZENSKI: Sure. So, let me let me come back a bit from the paper and take a bit more of an ideological swing at this question. Underlying everything that we've talked about is this continual tension, this push-pull between authoritarian regimes and open democratic norms. Okay, that is behind everything that we're talking about. We may think that economic models are driving politics, but actually, politics are driving economic decisions, right? And this is where it gets a bit tricky because we can fall into this trap that because Beijing is looking to open its doors from an economic perspective that somehow the reform of the political system is going to go along with that, right? And we can take that one step further and apply it into the space of anti-corruption and good governance because as you move towards more open democratic norms, towards what some have referred to as ethical universalism, the control of corruption becomes much easier, because you have rule of law, you have citizen engagement, you have strong institutions, you have that separation between state and the private sector. And as we move towards a more authoritarian model, all of that becomes compromised. Okay, which is all alluded to I think in this conversation under the Chinese model.

So, with the idea that controlling corruption becomes much easier in an open democratic system, this links directly to the fact that the U.S. has an ideological advantage when it comes to promoting something in an open democratic way that is consistent with human rights, it's consistent with dignity, it's consistent with citizen engagement, all of the things that we want to see at the foundation of governance. So, we can't really disassociate BRI as an example of a regressive system, right, that has put pressure on our efforts to reform but also gives an opportunity for the U.S. to come forward and say, look, we have the transparency advantage. We have the, I think we'd all agree, an ideological advantage. Coming at this from an open and democratic governance perspective and now how can we look at the toolbox what's available to us to be able to move forward promoting those norms? And then that's where we can get them into some of the report recommendations around moving towards standards that reinforce what we've been trying to put forward within the international framework for a long time, but taking an even greater role in that and up in the game in terms of our bilateral investment approach.

So, one thing that I talked about is a really interesting initiative underway at the new U.S. Development Finance Corporation, which is an agency that now has taken on a lot of the functions of OPIC, Overseas Private Investment Corporation, and will be making equity investments, and not just U.S. financing, but equity investments in global infrastructure projects. And the Development Finance Corporation is largely close to China's Belt and Road Initiative. But within that they're looking at new frameworks, one being the Blue Dot Network, which will become a program of standards and certification to provide high quality infrastructure to the developing world using existing standards around everything from sustainability to labor practices, human rights, anti-corruption. And through the application of these standards, we'll be able to push forward on a model that is much more transparent, but also works to the advantage

of western firms who are somewhat disadvantaged when it comes to Chinese state-owned enterprises that are bribing their way into big deals.

ZARATE: That's a great point Elaine, and it's also indicative that the Chinese have been rhetorically at least and diplomatically sensitive to these issues of corruption, right? Having to, in essence, sort of relabel, reframe BRI through the lens of transparency precisely because they are sensitive to allegations of corruption and opacity that create challenges for their credibility. Same thing on the environmental issues as well, very sensitive to those. So, it's fascinating.

One other quick point for those who have tracked FDD's work, when we started the Center for Economic and Financial Power we were talking about the importance of organizations and tools like OPIC and Exim, and at the time when we were making those arguments from a National Economic Security standpoint, the mood in Washington was quite the opposite. The mood was there was no sense that these were necessary institutions, put aside their value put aside as their returns, but politically there was no appetite for them. And, in fact, there were calls for them to be disbanded, and I find it fascinating now we're in a moment where you have OPIC now evolving into the U.S. Development Finance Corp as you mentioned Elaine, and then Exim Bank having its reauthorization for the longest period it's ever had in its history precisely because U.S. policymakers are seeing the value of these tools to be able to compete with China, at least at some level.

Emily, I want to turn to you again on this question of how you've seen, in particular, your recent focus on Africa, how you've seen this playing out, this competition between the U.S. and China and China's ambitions, and where you've see Chinese vulnerabilities for how this plays out in practice. You know, not all these projects go as planned. Elaine was describing some of this earlier, there's dissatisfaction because of Chinese control and labor that comes in often. These are not productive projects often, and there's certainly corruption that displaces the use of resources. So, talk to us a little bit about what you're seeing in your research and work as to how this plays out in practice and what that means for Chinese vulnerabilities.

DE LA BRUYERE: Yeah, absolutely. China is very aware of the vulnerabilities of the resistance to its model. Everything from emerging economies, restricting their ability to develop on their own, bringing in its own labor rather than providing labor, corruption concerns, debt trap diplomacy, racism, standards, human rights abuses, the whole litany.

The problem is that those vulnerabilities don't mean anything if there's not an alternative. Right now, emerging economies need economic development. They need assistance building infrastructure, and China offers that in a quick turn way that, with compared to what else is out there, relatively few strings attached. And so yes, we need to play up all of the concerns that exist which, for the record, we don't do in nearly the competitive narrative way we should be, and China somehow manages to twist the global story so that it's the "responsible stakeholder," which is moderately insane. But we also need to provide a tangible alternative, and that doesn't mean matching – Elaine, you made this point so well – it doesn't mean matching them one-for-one because we can't do that. That's what they kind of hope we do because theirs is a flexible deliberate emerging strategy that can take advantage of us doing that. So, we actually need like a strategic prioritization logic of the areas that matter.

And that's another, from a strategic level, a big vulnerability of China's approach. They've maintained the same focus areas for the past 20 years. That works really well for them because

they can move deliberately and make long-term bets, but if things change in their value, whether those are emerging technology systems to compete over, or critical resources for advanced industry, we're more flexible. And we should be able to take advantage of that and see those changes and recognize areas where Beijing is stuck down one track and that track might not be the beneficial one.

DEZENSKI: Can I jump in?

ZARATE: Please.

DEZENSKI: I just want to pick up on Emily's point here about strategic prioritization, which I think is absolutely critical. So, if we look at what the Development Finance Corporation is authorized to invest, it's up to 60, I think it's 60 billion, which could feel like it's a drop in the bucket compared to what China has available. That's true. But if that money is combined with private capital, the game changes. And if that combined money is then under a framework of transparency and accountability, that's a really good model.

In terms of the prioritization of how they spend it, I think some important decisions need to be made about what that framework and that formula entails, but it seems to me that we have some key opportunities in our own backyard.

So, I want to mention the potential to move to Latin America to make some major investments there in a way that bring some stability and would have a positive impact on immigration, would have a positive impact on brain drain, really the region needs it. And so, the idea that we can go in with a better model in our own backyard is critical. We know that Beijing is already in Latin America making investment so I think this makes it even more important. That's not to discount making investments in Africa and Southeast Asia, the investments are needed everywhere, but there are some prioritization arguments, I think, for looking in the Western Hemisphere and doing our best to make a better statement with our neighbors.

ZARATE: Brad, and feel free to address anything that's been raised, I think one interesting question I want to ask you, part of this is where we're challenging and we're challenging our allies as well to push back? There's also the digital Silk Road, you mentioned Huawei, so there's the physical dimensions of where to challenge and there's you know, the physical infrastructure project, there's also the underlined digital Silk Road Project that the Chinese Communist Party has, so can you address that in the context of what Elaine and Emily just mentioned?

BOWMAN: I mean, my sense of Beijing's core motives is you know, they seek to subordinate and control developing countries as a means to extract resources and create dependency. It almost has – in my view, and Beijing doesn't like this term – kind of a neo-colonial manner to it, almost a Middle Kingdom desire to return to a kowtow system, where they're not interested in creating self-sufficient, independent countries that are prosperous and can say no to Beijing, they're interested in resource extraction often.

And so yes, they're building infrastructure a lot of the time, as Elaine lays out in her report, that infrastructure is built too big or unnecessarily and a lot of times it's roads and rails going to the nearest Porter airport. So those resources can be stripped from the country and taken back to Beijing with no interest in developing a local workforce and no interest on the environmental impacts. And by the way, regardless of what the motives were in Sri Lanka, I

would just say the result is a 99-year lease that makes our allies – our partners in India – very, very concerned. What does the U.S. want, you know, we're not pure as the driven snow, but generally speaking, what we want is independent prosperous nations, developing countries that become developed, that can trade with us and that are powerful enough to say no to Beijing and maintain a favorable balance of power. So, if you understand those contrasting motives, I think it starts – you start to understand why Beijing is behaving the way it is via BRI. There's not a lack of transparency just because it's a cultural preference necessarily, but because it serves the CCP's interest.

By not having transparency, it allows them to bribe, as Elaine argues very persuasively, key decision-makers, and to shield from the voters the citizens in those countries what's really going on. I mean, if Beijing is playing it straight, they should not be opposed to transparency. They should be able to put their offer on the table and defend it in the light of day. Of course, they can't and that's why they want opaque deals. And so, I really think as Elaine argues, that's where our comparative advantage is. We can come in and offer an alternative. Many countries in the Indo-Pacific, they don't want to have to choose between the U.S. and China, we're both too powerful, they have too many interests going one way or the other, but they do welcome and need a choice. They want the U.S. there to give them an alternative, and giving them an alternative is, I think, to our advantage.

To answer your question on the digital Silk Road, I touched on a little bit earlier but it's important to understand, this isn't just about ports or bases in Pakistan, Djibouti, or Sri Lanka. There's a digital component to this, and so that digital component as I said, is cropping up all over the world and it has many, many aspects to it. I published an article in the last few days with a colleague in *Newsweek* talking about how China is honing at home and exporting abroad the technology that is used for religious oppression.

So, we talk about the great power competition. What are we competing about? What are we defending? Well, in part it is the Western liberal order that has benefited so many beyond the United States. And China is exporting an authoritarian model, in the technological means, to deprive people of their most basic rights and authoritarian governments are going to use that technology to do bad things. We've already seen that happen. If you look at the U.S. Commission on International Religious Freedoms Report, they cite an example in which they've sent this technology to more than a hundred countries. Uzbek authorities forced approximately a hundred Muslim men to shave their beards, claiming that the beards hindered the Chinese facial recognition technology that they imported. I had the opportunity to do a podcast a while back with Congressman Seth Moulton of Massachusetts, and he made a quote that I'll never forget. He said, "China is exporting authoritarianism, and they're doing that, and they're giving everyone a package. I mean a literal tech package. The surveillance cameras, the artificial intelligence, the databases, ways to control society just like they do at home."

So, in this competition, America's interests and our values are not neutral and are at stake. That's why I think we need to get into international organizations to compete and not go home just because we dislike the amount of influence that Beijing has accrued during our period of strategic apathy.

ZARATE: Brad, that's a great summary and a great segue to the last question I wanted to ask Elaine, and maybe if Emily wants to weigh in too, which is, Chinese ambitions within existing international institutions, and then the creation of alternate institutions, or standards and

what that looks like. There's been more official attention, certainly from the State Department in recent weeks. But Elaine, can you speak to that in the context of not just your report, but your broader view of the competition with China. How are they playing in existing institutions and creating alternatives in terms of standard setting?

DEZENSKI: Sure. It's a curious thing. So, I think over the last decade we've seen a much more concerted push from Beijing to place the senior officials in multitude of positions across the international system. Whether that's Interpol or various capacities within the UN, ICAO and others, it's actually quite far flown.

But, I think it's rather systematic, and links directly into a lot of the policies and approaches that we've been talking about, that the Chinese are trying to push forward. At the same time, they're also engaging in some really interesting capacity building on their own.

So, the stand up of the Asian Infrastructure Investment Bank, which includes quite a few countries but is really a predominantly Chinese driven making a lot of investments in Southeast Asia. They become a pretty important player.

A couple of BRI projects have actually received funding through that through that that that structure but they're not using it to any great extent within the BRI because even ai-iv mimics some of the development governance structures that are in place in other multilateral development banks like the World Bank and their regional affiliates. So, you have this, there is an infiltration right across the system, as well as efforts to create new capacity, new organizations, new systems, that also move to serve Beijing. So now it's a tricky challenge, because on the one hand within the international system the idea is that there is representation.

So, you know, we can't get into a position where we push any country towards making their own institutions, because we don't let them into the ones that exist, on the other hand there needs to be some push on the rules of the game. Right? We've been talking about that. What is the framework for engagement? What are the values that we uphold through these international organizations? And how do we enforce those?

So, I think you know, there's some reckoning that needs to happen when we think about, what is the accountability framework for these international organizations and their role? I've looked at it specifically from the anti-corruption angle where the UN has been very instrumental in terms of the convention against corruption. The OECD has been very active, but they don't really have enforcement authority, they don't. And so we need to think about whether there's the possibility to improve enforcement efforts.

What kind of teeth can we give to these international frameworks, or, do we need to make a better push around our bilateral engagement and what we expect out of that. I think the answer is actually to do both, but the idea that we can retreat from the system as Brad said is really kind of bad idea, because we've largely created it over the last 50 years. So, the fact that we'll walk away or would walk away from that is I think very problematic and we shouldn't expect that China won't fill that gap, they will and that's what they've been doing step by step.

ZARATE: And Elaine that's a great way I think to end our discussion. One of the things that you pointed out, I think brilliantly earlier, is the fact that we have comparative advantage in many ways, and we haven't fully appreciated that or leveraged it. I think your report, especially

the back end of the report, lays out how we should be thinking about that. I think we've run out of time, unfortunately. I think we could go on for another hour with Elaine, Emily, and Brad.

I want first to thank the three of you for taking time and for sharing your deep thoughts and insights. I know they're born out of a lot of work and research goes well beyond this hour. Elaine, I want to thank you for being the catalyst here in drafting the report that you did again for those who may not have heard the title: *Below the Belt and Road: Corruption and Illicit Dealings in China's Global Infrastructure*. Really an insightful and timely report that is going to be, I think, referenced for years to come in terms of these issues.

Let me let me conclude by just saying at FDD we are going to continue to focus on these issues obviously of national economic security, which is at the core of what the Center on Economic and Financial Power does.

We are going to look through Elaine's leadership at the role of corruption anti-corruption as a core strategic enabler in this in this era, and we're obviously, across FDD, going to continue to look at China and the implications of China as a challenge to American power and Brad, of course is leading the charge in that regard at the Center on Military and Political Power. Brad also mentioned our third center, which is the Center on Cyber and Technology Innovation, which also looks at a whole range of technological issues that are relevant to national security and one of the key thematics and key disciplines that we've begun to develop there is the notion of cyber-enabled economic warfare and how countries like China, North Korea, Iran, Russia are using all elements of asymmetric and technological tools to advantage their interests.

And so, keep in touch with FDD.org the work of the three centers, because we're going to continue to do the kind of innovative insight and analysis that you've heard today and that you can read in Elaine's report. With that, I hope everyone is safe and well, we wish you your loved ones and your colleagues all the best. Stay safe and well, that's it from FDD. Thank you.