



# A GLOBAL RORSCHACH TEST: RESPONDING TO CHINA'S BELT & ROAD INITIATIVE

## A Review Essay by Giulio Pugliese

*Belt and Road: A Chinese World Order*

Bruno Maçães. London: C. Hurst & Co., 2019.

*Rebranding China: Contested Status Signaling in the Changing Global Order*

Xiaoyu Pu. Stanford: Stanford University Press, 2019.

*Super Continent: The Logic of Eurasian Integration*

Kent E. Calder. Stanford: Stanford University Press, 2019.

*The Silk Road Trap: How China's Trade Ambitions Challenge Europe*

Jonathan Holslag. Cambridge and Medford: Polity, 2019.

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## Of China Dreams and China Nightmares: The BRI Goes to Italy

NATO's recent 70<sup>th</sup> summit testified to the resurgence of great power politics, as the transatlantic alliance broadened its strategic horizon to include China. Discussions would, according to Jens Stoltenberg, now address the mix of challenges and opportunities posed by a powerful China but avoid turning Beijing into an enemy. To avoid those rigidities China's advancement into the South China Sea was not an important agenda item, but 'the fact that China is coming closer to us, investing heavily in infrastructure', was a notable inclusion for the world's largest security alliance. Given its political and geopolitical implications, China's mammoth connectivity policy, the Belt and Road Initiative (BRI), naturally lends itself to securitisation, a lesson that the previous Italian government learnt the hard way when China's President Xi Jinping visited the peninsula in March 2019.

Back then, beneath the composed pomp and circumstance surrounding Xi's state visit, passions were running high. The Italian government's qualified endorsement of China's BRI had triggered a media and political frenzy, kindling domestic and international fears that Italy—a member of the G-7 and a founding member of the European Union—was, at best, lending legitimacy to China's mammoth connectivity project or, at worst, capitulating to China's so-called 'debt trap' diplomacy. Ahead of the summit, some news reporting read stranger than fiction: one authoritative Italian newspaper suggested that Italy would espouse Chinese socialism through the BRI Framework Memorandum of Understanding (henceforth, MoU); others warned that Italy could develop an unhealthy economic dependency on China, similar to the developing countries in China's near abroad; still others depicted Michele Geraci, Italy's Undersecretary of State for Trade and Foreign Investment and the MoU's leading promoter, as the Manchurian Candidate. I started wondering whether Xi qualified as evil Dr. Fu Manchu in the grander scheme of things.

Italy greeted Xi's arrival with regal fanfare: for the first time in decades, the President of the Republic welcomed a visiting head of state with chariots and horses, as if the Chinese president were visiting Buckingham Palace. This careful choreography was part and parcel of the BRI MoU deal; its images would reverberate into China and feed into Xi's charismatic (and authoritarian) leadership. This was particularly important as Xi's signature policy initiative, enshrined in the Party Charter, was under domestic and international heat. Rome's endorsement of the BRI instead reinforced the idea among Chinese

audiences that the ‘China Dream’ lived on and the ‘great rejuvenation of the Chinese nation’ was aptly symbolised by revamping the Silk Road, with China leading the way.

International chancelleries gave their diverging readings of the Italy-China agreement. Japanese officials were anxious about a naïve Italian government kowtowing to China, and potentially jeopardising the G-7 entente. France and Germany worried about the true intention of Rome’s Eurosceptic government and feared that such bilateralism would sabotage a somewhat coordinated intra-EU approach to the China challenge. After all, the Franco-German entente had just pushed for an EU rethink on China, now labelled as a cooperation partner, an economic competitor, and a systemic rival. Franco-German anxieties are understandable if we consider that the Eurosceptic Italian government had picked fights with both countries, had lamented the stifling role of EU institutions, and had developed its international diplomacy with extra-EU powers headed by ‘like-minded’ *sovereinists*—Donald Trump, Vladimir Putin, and Xi Jinping—and with friends like these.... On the other hand, more than half of EU member states had signed the BRI MoU by spring 2019 and the EU Council’s position was in fact supportive of Italy’s document, which couches the terms of Italy’s cooperation with China *within* the framework of EU initiatives. This was the first time a BRI MoU had been couched in such constructive terms. Italian diplomacy was hard at work to make sure that this document would, among other things, constructively engage China, at least on paper. Still one more reading of the document stresses its communication value: Geraci himself repeatedly qualified the MoU as a marketing operation. The realistic pursuit of national interests is alive and well in Machiavelli’s country.

Yet, the most forceful reaction came from the natural ally of the Italian populist government, Donald Trump’s United States of America. The US government played up the internal divisions within Italy’s Eurosceptic coalition government, and the US National Security Council publicly condemned, via social media and exclusive first page interviews with Italian news media, the risks of endorsing Xi’s dangerous ‘vanity project’. The Italian government then squared the circle by strengthening oversight over foreign direct investments in critical infrastructure and restraining its overtures to Beijing for fear of incurring US wrath. In short, a dearth of information surrounding the MoU translated into a global Rorschach test, according to which global audiences superimposed their China dreams, suspicions, expectations, and nightmares onto an essentially

tame, and easily reversible, framework agreement. In the process, Italy got the worst of both worlds: it first angered the US government, which has been on an all-out offensive against China since early 2018, and eventually frustrated China with its timidity in reaching out following the MoU. This symbol diplomacy and Rorschach test may have real impact, for better or for worse.

Unsurprisingly, China's official proclamations expound on the 'win-win' narratives embedded in the BRI and downplay its hegemonic aspirations. Xiaoyu Pu's *Rebranding China* is not about the BRI per se but is deeply interested in disentangling the complex images that China willingly projects to communicate its status. China's strategic signalling ranges between extremes—from nationalistic resolve to an altogether low-key posture, from great power status to China as a developing country. Pu argues that this almost contradictory messaging depends on China's many international and domestic target audiences. The distinction among China's audiences has been insisted upon in the academic literature of recent years, especially works that are concerned with propaganda and public diplomacy.<sup>1</sup> In fact, the party-state's paranoid pursuit of regime security translates into nationalism-led legitimacy and 'cultural security' posturing, which insulates the state from foreign interference. In fact, China's prioritisation of domestic over international audiences along the above lines is the weak point of China's international signalling and of its public diplomacy generally.

Beijing's conspiratorial narrative on the Hong Kong protests is another case in point. The Janus-faced quality to Chinese not-so-strategic transmissions is also to blame for the global Rorschach test. Still, China's prioritization for its domestic audiences can also be played to a counterpart's advantage: mere symbolic recognition of China's status—such as the centrality accorded to China in the BRI—may well be amplified by Chinese Communist Party propaganda agencies, thus enhancing that country's soft power among Chinese audiences. Preliminary evidence suggests that this was part of the Italian government's cool-headed bet towards the tame BRI MoU: a branding exercise aimed at reaping the benefits offered by Chinese investors and consumers (2020 will be the Italy-China Year of Culture and Tourism, for instance), while signalling to its own electorate that it was pursuing its national interests while not necessarily going against the EU line.

Pu's analysis of narratives and signals can be applied to the complex and amorphous BRI brand, possibly the People's Republic of China's most successful

<sup>1</sup> See, for instance, Kingsley Edney, William Callahan, and Falk Hartig's work, as well as my co-authored book.

strategic narrative. Narratives are nothing more than stories that aim to make sense of the world, and they become strategic when states actively intervene to shape these stories to advance a national interest. In international politics, it is possible to differentiate narratives on three levels—system-level narratives that address the nature of international society, national narratives that situate a country within that society, and issue-specific narratives. For instance, China frames its expansive claims in the South China Sea as historically legitimate, peaceful, and defensive (an issue-specific narrative). These claims are also emblematic of the so-called ‘rejuvenation of the Chinese nation’ under Xi Jinping, breaking the country free from a ‘century of humiliation’ (a national narrative). Although international society may still be hostile to China’s assertive advance into, and militarisation of, the South China Sea, China argues that there is much to gain from a ‘community of common destiny’, an ill-defined narrative that stresses the importance of international cooperation between China and the world (a system-level narrative). According to the same narrative, China’s economic and military ascendance is unstoppable given its continued economic growth and transition to higher value-added economic sectors; hence, third parties ought to know better and avoid provocation. This international narrative has gained traction in China’s neighborhood, especially as US global influence wanes and shows signs of retrenchment, for example Trump pulling the US out of the Trans-Pacific Partnership.

Narratives, such as Beijing’s presentations about the South China Sea, simplify a complex reality into an easily digestible linear story. This allows the narrative to gain a wider audience, both internationally and domestically. In fact, the most powerful narratives are those that are widely believed. Powerful strategic narratives must also be supported by government policy—when words and actions match, narratives gain traction with the public. Along these lines, the BRI is chock-full of strategic signalling that makes use of all three types of narratives: it aims to build ‘win-win’ international relations, it symbolises the rejuvenation of the Chinese nation, and it provides proof of China’s peaceful economic rise through concrete projects. Ultimately, the BRI aims to use these projects to strengthen the idea of a ‘community of common destiny’. The Italian government, fully aware of the spurious nature of these tactics, has played up the symbolical relevance of Italy in the Silk Road narrative. Just as the PRC depicts itself (ahistorically) as the successor of all previous incarnations of the Chinese Empire, Italian governments have a tendency to present Italy as the successor of the Roman Empire; Italian diplomacy has long played ‘the Rome card’ when bolstering historical ties with China.

## The BRI Goes to Eurasia, FOIP Responds

Semiotics, biases, and signalling aside, what is the BRI all about? Oddly enough, the debated academic and policy issues also often resemble Rorschach blots; definitions vary depending on the author's field of expertise. Security experts warn of the BRI's embedded geopolitical and grand strategic aspirations and stress the dangers of China's hegemonic ambitions and economic nationalism for developing and high-income countries alike. Developmental and political economists stress China's understandable economic and energy sufficiency goals along with the huge infrastructure investment needs of the Asia-Pacific region—around \$26 trillion according to the Asian Development Bank; influential voices from that field are, on balance, sanguine if not welcoming of more government financing by the world's second largest economy, provided that China abides by international good practice. Specialists on the domestic politics of China tend to stress its shallow sloganeering; they find continuity between China's earlier initiatives, such as its 'Go Out' policy in the late 1990s, and lament the corruptive effects of opaque State-Owned Enterprises and development banks on recipient countries. For instance, analysts warn that China is simply exporting bad governance because that's how its Leninist system operates, not because of 'debt trap' diplomacy that aims to turn Beijing into the world's loan shark. Others more provocatively suggest that, if there is a debt trap, it's the one China finds itself ensnared in as its international bad loans pile up; and sub-par facilities, such as the Hambantota Port in Sri Lanka, and other white elephants across Central Asia and the African continent hardly qualify as 'strategic' collateral. The debates surrounding China-Pakistan relations and the embryonic Gwadar Port, a much-talked-about seaport facility operated by a Chinese SOE, is an illustrious example of all of the above perspectives.

The three remaining books reviewed in this essay shed light on these debates, each pointing out different policy implications. Kent Calder's *Super Continent* provides a nuanced analysis of Eurasian integration, which has been a long time in the making, by stepping back from the BRI to highlight structural factors instead. A political economist and Japan specialist by training, Calder argues that critical historical junctures, such as China's opening and reform and the fall of the Soviet Union, have coincided with major changes in the international logistical, technological, and energy sectors: these are the key drivers behind connectivity and China's growing influence. On top of that, the Middle Kingdom's fortunate geopolitical location at the very centre of a dynamic Asia is allowing Beijing

to develop its hinterland while pursuing economic and geopolitical goals. Like the smaller scale initiatives of Japan, Russia, and the European players, China's Eurasian regionalism is essentially aimed at economic goals; the BRI is fundamentally epiphenomenal to the *longue durée* of Eurasian integration and China's rise. Beijing mainly aims at exporting overcapacity, securing raw commodities, fostering new markets, and taking advantage of higher returns of capital in developing countries.

In the process China aims at global systemic transformation, especially through connectivity and consensus building. That is, 'distributive regionalism' will pave the way to China's hegemonic aspirations, but it will do so by being 'less intrusive into domestic political systems than liberal-internationalist alternatives. Beijing-led distributive globalism will be less legalistic and more reliant on distributive incentives to induce cooperation'.<sup>2</sup> Eventually, as China's economic footprint looms larger over the Eurasian continent, the Middle Kingdom will enjoy loose regional hegemony and change the modus operandi of international affairs. Calder's big picture analysis places the BRI and China's rise in a wider spacial and temporal context; it is thus refreshing reading for considerations informed by straightforward economic thinking on a macro level. Calder occasionally does the same at the micro-level as well, for instance throughout the book he repeatedly mentions that 'debt traps' and the BRI are far from a unilateral 'tributary system' and that these pose challenges to both recipient countries and to China itself.

Readers may opt for either Calder's book or Maçães' *The Dawn of Eurasia* to understand the push and pull behind the birth of the super continent. Yet, they must complement their selection with Maçães' recent *Belt and Road*, an empirically rich and insightful overview of the BRI, its political and economic implications, and the responses it has already elicited. After all, the unveiling of the BRI has coincided with Beijing's push to secure hotly contested territorial and maritime claims, especially under Xi Jinping, ruffling the feathers of several regional states. Maçães finds that China's political reach now extends well beyond its immediate neighbourhood, down to South Asia and further west across the Eurasian and African continents.

Of note is Maçães's conclusion that we won't enter a China-dominated international or regional system, but rather one of deep pluralism. This interpretation is

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<sup>2</sup> Calder, *Super Continent*, p. 231.



exemplified by the panoply of military, economic, and narrative-based alternatives embedded in the Japan-sponsored Free and Open Indo-Pacific plan (FOIP), a strategic vision that has as many definitions as the number of countries, or indeed multilateral bodies, that endorse it. It was never lost to Japan and the United States, among the leading impresarios behind FOIP, that China's ascendance and 'going out' was a potential geopolitical game-changer in international politics. By the mid-2000s, well before the BRI, influential Japanese strategic thinkers had fleshed out comprehensive responses premised on the ideas of Alfred Mahan, Nicholas Spykman, and Halford MacKinder. My research on Japan's China policymaking under the first and second Abe administrations has traced back this point of view to Abe, the Prime Minister's Office, and key bureaucrats; these policymakers reasoned that China's reach over the Eurasian heartland would lead to world domination. Japan's 2006 'Arc of Freedom and Prosperity' initiative perfectly embodies Japan's more comfortable embrace of strategy and is indispensable for understanding FOIP's genealogy; unsurprisingly the Arc orbited around China to encompass economically vibrant portions of the Eurasian landmass, especially its rimlands and other like-minded maritime powers.

Since FOIP provides a set of alternatives to the BRI, spelling out FOIP's economic and strategic narrative components (these components are also the BRI's most important and powerful parts) sheds light on the BRI and how it is understood in regional capitals. Along with an emphasis on maritime security and greater military coordination between the US, Japan, Australia, and India, FOIP rests on economic foundations. In fact, the Japanese government has been an early driving force of connectivity through grants and loans aimed at the construction of high-quality infrastructure in the region. Yet, the BRI has prompted the Japanese government to devote a substantial amount of resources to overseas infrastructure investments, either through its own agencies or via the Asian Development Bank (ADB). Abe steadily increased Japanese funding for regional infrastructure, doubling his earlier pledge in favour of \$110 billion-worth of bilateral investments, and provided an additional \$50 billion to the ADB. These monies would allow Japan to preserve a degree of political leverage vis-à-vis recipient countries, especially those in the immediate neighbourhood as well as other states of strategic importance for Japan. India, a rising great power with substantial demographic assets and a testy relationship with China, is the biggest recipient of Japanese Official Development Assistance (ODA), making Japan India's biggest bilateral donor. And conversely, as detailed by Mações, China's economic engagement of

South Asia excludes India by design and develops the comparative advantage of the Subcontinent's neighbours.

In passing, it is worth noting that infrastructure and influence competition among China, Japan, the United States and other states have played to the advantage of local strongmen: for example, Rodrigo Duterte has cleverly played Chinese economic pledges to extract financial concessions from Japan. In 2017, Abe promised \$9 billion to Duterte over five years, with projects tailored for the development of the Philippine President's impoverished stronghold in Mindanao. As evident from this example, great power rivalry explicated by economic statecraft—rather than China's so-called 'authoritarian influence' or 'sharp power'—ought to be understood as one of the engines behind democratic retrenchment in developing countries. The same logic is at play in Hun Sen's Cambodia, democratic—if genocidal—Myanmar, Narendra Modi's India, and so on.

More recently, the United States has fleshed out its economic participation in the Free and Open Indo-Pacific vision. Following US Secretary of State Pompeo's underwhelming offer of \$113 million for the Indo-Pacific region, representatives from the Australian government and from the policy banks of Japan and the United States have inaugurated a trilateral partnership for infrastructure investment in the region, as evidenced by the Blue Dot Network, an infrastructure certification system. Japan's Bank for International Cooperation (JBIC) and the United States' Overseas Private Investment Corporation (OPIC), now known as the US International Development Finance Corporation (DFC), will coordinate infrastructure financing. Finally, the United States has just created a 'mega-OPIC', the DFC, through the Better Utilization of Investments Leading to Development Act that more than doubles its budget to \$60 billion, thus allowing the new US policy bank to work hand-in-hand with the powerful JBIC, its budget being roughly \$100 billion, and with other like-minded partners. It is not clear how this cooperation will work given Trump's extortionist goals, US retrenchment from ambitious free trade deals, and the understandable competition among most FOIP partners for access to profitable markets. For instance, the \$10 billion in energy infrastructure from the Japan-US Strategic Energy Partnership (JUSEP), serve as an alternative to the BRI but the financing is essentially Japanese. Moreover, India's presence in these multilateral efforts should be understood, at best, as rhetorical support (e.g. in the vague Japan-India Asia-Africa Growth Corridor initiative), and India is a net recipient of Japanese economic diplomacy.

At the level of strategic narratives, FOIP should be understood as part of a counter-narrative to China's aggressive advancement into the East and South China Seas, at the military level, and the Belt and Road Initiative, at the economic level. Official declarations repeatedly emphasise the importance of free and reciprocal trade, freedom of navigation, and the rule of law. They also remind the international community that the US and its allies are committed to engaging with the broad Indo-Pacific region which spans two oceans. The Free and Open Indo-Pacific policy effectively acts as an alternative to China's Belt & Road Initiative through various rhetorical mechanisms. Just like the BRI, the Free and Open Indo-Pacific policy relies on state-led strategic narratives as a source of power.

Moreover, at the international level the Free and Open Indo-Pacific pits an open, multilateral, rules-based order against a China-dominated region; at the national level, the narrative highlights the democratic nature of its proponents against China's autocracy; and at the issue level, China's moves are inherently expansionist while the opposing camp's views are defensive. The following paragraphs contrast the American and Japanese interpretations of the concept.

First, the Free and Open Indo-Pacific vision refutes the notion that the US is a declining and disengaged power. On the contrary, the Trump administration has buttressed words with actions by strengthening the US military presence in the region and, to a far lesser extent, its economic presence. In the same vein, the Obama administration's Pivot to Asia, an earlier incarnation of the Free and Open Indo-Pacific policy, was meant to remain engaged in the region and reassure its regional friends, especially in South-East Asia, about US commitments. Washington is effectively using FOIP to disrupt Beijing's narrative on its irresistible ascendance to regional centrality. It is worth noting, however, that the US emphasises the security components of the strategy, while Japan prefers focusing on the economic ones; there's a modicum of division of labour in that regard. Actual US economic contributions to Asian development are still rather limited, mostly directed at the stabilisation of Afghanistan and Pakistan.

Second, the Free and Open Indo-Pacific narrative presents the United States and its allies as peaceful, democratic players confronting an autocratic and nefarious counterpart. A clear example of this logic is the American National Security Strategy's stark language when it describes the international environment 'A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific.' Similarly, under the Trump administration, US officials have lambasted China's 'debt trap diplomacy', qualified it as a new

imperial power, and accused Beijing of ‘interfering in the domestic policies and politics of the United States’. What is the purpose of these Manichean strategic narratives? The White House is—with a degree of bipartisan consensus—drumming up the resolve of domestic and international audiences and preparing them for major, and potentially divisive, policy decisions aimed at China. Thus, characterising Chinese behaviour in a negative light—such as Mike Pence’s October 2018 speech at the Hudson Institute and his more recent one at the Wilson Institute—will prompt US audiences to support sustained, yet costly, strategic competition. Conversely, recent exposés on China’s so-called sharp power may influence foreign countries to stray away from developing close relationships with China and Chinese businesses.

A degree of simplification in the China message is understandable, but the US would be better served by constructive language that recognises the need to work with China in the international arena and should avoid demonising Beijing. After all, as Calder and Maçães warn, the BRI *does* provide benefits to China’s immediate neighbours, to the extent that most South-East Asian governments do not want to have to choose between the US and China. This is also true of states that have maritime and territorial disputes with China. They are in close proximity to a re-emergent China and are unwilling to make choices, especially an anti-China choice: ASEAN’s endorsement of a constructive reading of FOIP in the summer of 2019 was reportedly pre-approved by China, via Thailand’s intercession. But if the narrative becomes overly adversarial, ASEAN countries may want to distance themselves from the US. Japan has appreciated these dynamics with its earlier, failed attempt at promoting its Arc of Freedom and Prosperity that *de facto* excluded China, thus prompting ASEAN countries’ unwillingness to sign up to the initiative. Also for these reasons Abe has rebranded the Free and Open Indo-Pacific strategy into a more inclusive vision that leaves space for cooperation with the Belt and Road Initiative. Abe’s four most recent conditions for cooperation with the BRI (economic viability, transparency, openness, and fiscal sustainability) are meant to reassure ASEAN and the international community of Japan’s inclusiveness, rather than to serve as a hedge against a tougher stance pressed by the US. While the underlying logic of great power politics remains—to the extent that Japan welcomes Washington’s militarised Free and Open Indo-Pacific strategy—the United States government would do better to take note from Tokyo on how to craft a more nuanced strategic narrative and perhaps match words of economic cooperation with deeds.

## The BRI Doesn't Go to Washington

International politics specialist Jonathan Holslag's *The Silk Road Trap* emphasises the zero-sum economic logic and strategic factors behind the BRI, especially vis-à-vis EU economies. Holslag's book looks beneath the surface of China's 'win-win' rhetoric and issues an economic call to arms in Brussels and major Western European capitals. In January 2017 at Davos, in an apparent jab at Trump's 'America First' protectionism, Xi Jinping famously extolled the merits of globalisation and of China's economic contribution to global growth. Yet, China has not lived up to earlier expectations of progressive reform towards a market economy, expectations that were particularly diffuse in Western capitals during China's accession to the World Trade Organization in 2001. On the contrary, China has climbed up the added-value chain while doubling down on its *dirigiste* economic model and taking advantage of economic openness abroad without reciprocation. European governments generally welcome China's sustained growth, through its vast reserve of talents and capital, not least because there's much to benefit from trade and investment ties with the world's second wealthiest economy. But China is in many ways no longer a developing country and needs to live up to international market economic standards on a level playing field. Chinese innovation and growth ought not to take place through forced technology transfer, the infringement of intellectual property rights, state-sanctioned predatory mergers and acquisitions, and internal market distortions against foreign competition. It is these practices and the lack of reciprocity, Holslag warns, not Chinese growth per se, that comprise a wakeup call for Europe.

Under Xi the Chinese state has made a comeback, and with a vengeance. Xi's ambitious 'Made in China 2025' industrial policy has given further proof of Beijing's *dirigiste* instincts in strategic sectors. And the BRI, along with dumping practice and cheap loans for strategic sectors may well privilege China's access to new technology and the export of its own goods, possibly fixing a whole new set of standards. For instance, the overwhelming majority of BRI contractors (89%) comes from China and opaque development banks are behind these tied loans, often to the benefit of China's national champions. Scratch the surface of Xi's 'win-win' rhetoric, and one sees that Beijing benefits greatly by a tacit 'China First' vision.

For this reason, European governments have recently pushed for boosting their defensive mechanisms against China's potentially rapacious state-led economic behaviour. In the past two years, several European governments have tightened

the screws on their Foreign Direct Investment screening regimes and, as of now, fourteen EU countries have tighter investment screening legislation. The EU has inaugurated an investment screening mechanism that allows for information sharing with other EU member states or the European Commission on incoming extra-EU investments in critical enterprises and infrastructure, such as power grids and ports. This institution mandates the exchange of information and best practice. Scarcely noticed, Italy signed up to the Belt and Road MoU *while* strengthening its FDI defences on telecommunications in a direct jab to Huawei and ZTE. Moreover, the Franco-German entente has pushed for changes in the EU's public procurement policy to allow greater reciprocity vis-à-vis China as well as changes in the EU's industrial policy, in favour of European business champions that can compete with Chinese and other foreign juggernauts. Lastly, in 2018, the European Union also came up with an Asian connectivity strategy of its own that essentially stipulates the principles for sustainable, multilateral, transparent, and open infrastructure financing that takes local needs into account. This is a jab at the Belt and Road Initiative's deficiencies, but—in contrast to the United States' confrontational approach (see below)—it provides alternatives, and reportedly acts on an inclusive logic that constructively aims to improve China's financing practices. There are pragmatic and strategic reasons to improve China's government financing: it would raise the standards of its own projects, possibly to the advantage of Western and Japanese companies. It is noteworthy that the EU has built bridges with Japan through a partnership on sustainable connectivity, of which the African continent will likely be the main target.

In short, the European Union has recently been fleshing out defensive and 'offensive' economic countermeasures aimed at China, because there is wider recognition of the challenges Holslag highlights in his study. Holslag however magnifies the challenge China presents and his faulty economic logic is the same as that impinging on current US strategic thinking. In fact, Holslag belongs squarely to the zero-sum camp, according to which China behaves essentially as a predator. 'There's no win-win partnership with China. [For] the vast majority of European countries the impact of China on their growth has been negative',<sup>3</sup> Holslag claims. This provocative claim is based on the very same thinking as that of Trump's economic team, according to which trade deficits at home and China's current account surpluses automatically translate into structural economic predation (see below).

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<sup>3</sup> Holslag, *The Silk Road Trap*, p. 146.

Yet, domestic consumption has become China's leading economic engine, while exports account for less than 20 percent of the economy. What is less evident is that in the first quarter of 2018 China registered a current-account *deficit*; this was brought by a trade deficit in services, which in turn was a reflection of China's 'exports' of tourists and students, and by imports of commodities. China's ageing population will further favor more domestic consumption and higher imports. More generally, by inflating the China challenge the author loses sight of the nuance presented in Maçães and Calder's analyses; as a result, China's *dirigiste* economic outreach appears too predatory, too efficient, and too unstoppable to be true. Alas, the same thinking informs US policy towards the Middle Kingdom.

The fear that a Leninist China will become a global hegemon, especially through its economic outreach, is feeding US zero-sum responses. The US government's decision to place an embargo on US technology exported to Chinese high-tech powerhouses, and the Commerce Department's recent proposal to curtail imports of technology deemed 'national security threats', or from foreign adversaries, will effectively slow down China's technological catch-up. Such measures are expected to heighten the risk of doing business with China's multinational enterprises such as Huawei, and slow down China's technological catch-up. For example, Google's Android platform is widely used on Huawei and other Chinese smartphones—the moment Android stops selling to Chinese companies and no longer allows security updates, they will have to rely on home-bred, suboptimal alternatives. Consumers from high-income countries will then shun Huawei smartphones—and suboptimal Huawei 5G for that matter—because it lacks the superior US technology. These US-led initiatives are part and parcel of Washington's 'whole-of-government' pushback. The underpinning rationale results from the convergence of two distinct zero-sum worldviews within the administration: the economic team's mercantilist concern with trade imbalances and China's 'predatory' economics, and the national security team's low tolerance of China-related risks.

Against the backdrop of an ascending, assertive, authoritarian, and repressive China, Trump's advent has coincided with a major rethink of Washington's China policy. In late 2017 the US executive branch has rearranged its foreign and security policy outlook to conform to the National Security and Defense Strategies, where China and great power competition figure highly. With time, however, the US government has become almost dogmatic in its strategic

competition. Preliminary fieldwork suggests that top US policymakers have presented the China challenge through stark narratives that may resonate in Washington DC, but sound unconvincing to friendly governments, to authoritative portions of the expert community, and, importantly, to US public opinion. The US government has acted on its zero-sum view of China. It has mischaracterised the Belt and Road Initiative as carefully engineered ‘debt trap’ diplomacy—a notion that has been authoritatively discredited—and has enlisted new government agencies and pressured third parties from endorsing Xi Jinping’s signature project. The US government’s calls for public criticism of the BRI by like-minded states, such as Japan and some of its Western European allies, have fallen on deaf ears. Public pressure against Italy’s timid and symbolic embrace of the BRI is another case in point.

The US government has zero tolerance for risks involved in its economic relationship with China, because all matters Chinese are seen through thick zero-sum lenses. A preoccupation with national security and simplistic economic thinking, according to which Chinese economic gains automatically translate into US losses, are anxieties causing Washington to lose sight of a cool cost-benefit analysis; such reasoning is reflected in Holslag’s account. This mirrors the decision-making process under Trump regarding China, where trade hawks and national security agencies have been over-empowered, while the bureaucratic apparatus of the Departments of Commerce and State play second fiddle. The following is a telling example of these dynamics: in spring 2019 a high-ranking official from the Pentagon suggested that the US government explore ways to further tighten the screw on its foreign investment screening mechanism and recounted the tale of a fact-finding mission to Hollywood to study China’s influence on the US movie business. The image of a Department of Defense official walking down Sunset Boulevard worrying about the China-US battle for hearts and minds is indeed an unusual one and hints at the depth of America’s security obsession with China. (This story may well figure in a Coen Brothers’ movie on the 21<sup>st</sup> century Red Scare). In fact, if Chinese money were to embed deeply unpalatable political messages into US blockbusters, moviegoers worldwide would be the first to punish them at the box office. At worst, big Hollywood productions that eye the lucrative Chinese market eliminate the PRC’s many blemishes, but Western public opinion has access to multiple channels of information beyond blockbuster movies.

Another excellent window on Washington’s security-driven stance is the FBI’s



visa ban against Chinese *social* scientists responsible for collaborating with their own security apparatus. A more nuanced policy would *manage the risk*, which is arguably low considering the background of these scholars and the risible nature of property rights infringement in those fields. A more enlightened policy would also preserve influential avenues for US public diplomacy, world-class research, and higher education exports. Emphasis on defence and deterrence downplays and ultimately weakens the United States' intrinsic soft-power assets. On the contrary the ban will foster an atmosphere of resentment and deep suspicion on both sides. An earlier failed attempt by an influential Trump confidante to ban Chinese students from US universities to curb potential Chinese espionage and influence operations is proof that this administration risks throwing the baby out with the dirty bathwater.

On the economic side of the US-China equation, Trump's nationalistic economic agenda has become one of the few constants of his erratic administration, again premised on zero-sum thinking. Trump aims at adjusting US trade deficits based on the outdated mercantilistic belief that exports must exceed imports and that countries with big current account surpluses are economic 'predators'. This is profoundly mistaken thinking because, again, it downplays US strengths: the US can live with big current account imbalances—and has been in the red since 1975—thanks to its global currency. Since trade imbalances are not recognised as symptomatic of US economic vitality and high propensity to consumption, it is assumed that they must be adjusted through protectionist countermeasures and bilateral bully tactics. In fact, the US president has beaten the trade war drums and slapped tariffs and export controls on China in a purely transactional spirit for the purpose of pressuring Beijing into making concessions to the US and changing its economic practices. Since China is more dependent on exports than the US, and since the Chinese Communist Party relies on sustained economic performance to maintain domestic stability, Trump has gone 'all in', triggering a game of chicken that still promises to rock the entire global economy, no matter the likely bilateral 'deal'.

In fact, Trump's economic team is more ambitious and, from the looks of it, its goals are based on the mistaken belief that the US must keep China down to preserve its economic lead. Although it is perfectly reasonable for the US to maintain its security through primacy in science and technology, it is problematic to use state-led economic coercion and blatant protectionism, rather than competition and risk management, to enhance national technological leadership

and the country's industrial base. For instance, Peter Navarro, Director of the Office of Trade and Manufacturing Policy, pushes for a technological and economic decoupling due to the alleged Chinese predation of a victimised US. The current US response to legitimate concerns about China's infringement on intellectual property rights, distorted market practices, and forced technology transfers is overkill; reshoring supply and assembly lines away from China, possibly all the way back into the United States, to help domestic manufacturers is bound to do more harm than good. This constant concern with the manufacturing industry and real assets, rather than the powerful US service industry, also reflects the personal backgrounds of Trump and many of the members of his team, such as former steel industry lawyer and current US Trade Representative Robert Lighthizer.

Trump's 'Entity List offensive' points at the alignment of economic hawks and the national security establishment. An executive order, issued in May 2019 and a separate action by the US Department of Commerce that included Huawei and 68 affiliates in an Entity List identifying entities of national security concern, aimed at blocking goods and services from companies controlled by 'adversary governments'. While these initiatives have been eventually watered down by reprieves and exceptions, the economic logic is a maximalist one: US companies *and* foreign suppliers of goods and services with an (ill-defined) 25% of US content are at risk of incurring US sanctions if they sell their products to Chinese companies on the Entity List. If this measure goes into full swing, what the US government hasn't achieved through its global campaign to block Chinese companies from rolling out the 5G network may well come to fruition through economic coercion, thus allowing its military to operate more securely abroad. The measure would substantially weaken China's dearest national champion, Huawei, one that for the US is emblematic of China's massive market, of its economies of scale, and of unfair state protection, which is well-documented in Holslag's book. On 26 November 2019, the Department of Commerce issued further proposals for implementing the executive order, possibly banning all equipment and services provided by 'foreign adversaries' in the information and communications sector.

At any rate, US countermeasures will slow down China's technological and economic advancement by instilling diffuse fears of political risk associated with Chinese products and services in the information and communications technology sector. An economic Sword of Damocles in the form of greater

export controls through future executive orders or another list preoccupied with restricting foundational and emerging technologies, is already rocking global supply chains.

Paradoxically, Trump's non-ideological transactional style, his mercantile goals and the upcoming US presidential election might be the only hope for halting a costly US-China technology and trade war, because Trump essentially wants to win the election through a 'deal' with Xi. Economic decoupling would further destabilise US-China relations and usher in a neo-protectionist world order. Yet, predictions are not rosy; there is a degree of bipartisan consensus between Democrats and Republicans and Xi's China seems unlikely to make significant concessions. A watered down 'deal' will not make this confrontation between world economic powers disappear. In fact, it may well escalate as hawks on both sides call for resolve.

## Conclusion

In recent years, China's foreign policy and domestic politics have hardened, eliciting anxiety and dismay in Western capitals. These anxieties are more deeply felt nowadays given China's ambitious Eurasian economic outreach and its Janus-faced strategic communications, the two subjects of this review essay. However, a zero-sum confrontational approach that over-securitizes Beijing's economic and communication initiatives will do more harm than good in *both* China and the US, since many of America's economic and political strengths depend on an open world economy and its soft power assets; a degree of risk tolerance regarding China is a small price to pay for America to retain its ability to exercise its influence there. If this conflict continues in the same vein, the US approach may well become a self-fulfilling prophecy—transforming China from a rival into an enemy. Disenfranchised elites on both sides will feel victimised in the process, which will heighten tensions and exacerbate the security dilemma. US business elites, US-based area experts and US allies need a cool financial and political calculus to tackle the zero-sum thinking of Trump's economic and national security advisors to convince Washington of the merits of a more nuanced, if still clear-eyed, China policy. China's unfair trade and investment practices must be rectified and a healthy dose of economic realism is needed, but European players at the opposite end of the Eurasian landmass cannot risk imperilling the health of the open world economy in the process and looking more like China, in terms of excessive state protectionism.

Italy's engagement with the BRI in March 2019 has translated into a global Rorschach test, upon which global audiences have superimposed their dreams, expectations, suspicions, and nightmares of China onto what is essentially a tame and easily reversible framework agreement. This essay has examined the logic behind these interpretations, as discussed by Maçães, Pu, Calder, and Holslag, in an attempt to 'seek truth from facts' by disentangling the closely-knit strategic communications, economic and (geo)political components of the BRI. Many of these truths are in the eye of the beholder, which is also the reason why the BRI—and more broadly the rise of China—is easily politicised. In particular, Kent Calder adds to the body of research of Rosemary Foot, Andrew Walter, and Nicola Leveringhaus—among others—to show that China is, in important ways, still a relatively responsible actor in international society, with some notable exceptions—such as its assertiveness in the China Seas and its 'China First' distorted economic practices.

Still, the various approaches towards China and differing interpretations of the BRI depend on national interests, which ordinarily would seek to balance security with prosperity and national values. When the two are in conflict, security normally trumps prosperity, but 'maximum security' is an impossible proposition and does not sound at all inviting. The most sensible starting point for a conversation about China is to ask how best to *manage* the potential risks associated with the economic and political rise of a repressive—if, on balance, defensive—Leninist autocracy. The preservation of a favourable balance of power and meaningful collaboration with like-minded partners *together with* joint efforts in constructively shaping Chinese political and economic behaviour using sticks, carrots, and international norms, are still the best strategic options for the EU and its friends—China is not the Soviet Union. Perhaps the most important lesson here is about assessing national interests comprehensively and remembering that European states are stronger together in this age of power politics and Italy's qualified endorsement of the BRI does *not* necessarily run against intra-EU coordination. European partners should avoid over-securitising China, not least because the country should be seen as a whole. For that purpose, field experts—such as professional economists and authoritative area studies experts—and specialists from *relevant* government agencies should be closely involved in discussions and eventual responses. After all, that is how effective grand strategies or 'whole-of-government' approaches ought to function.

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