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Executive Summary Report

GEOIntelligence

Great Power Competition is exercised across multiple integrated domains of Diplomatic, Informational, Military, and Economic elements of power (DIME). How and why that power is exercised is often different, based on Western vs. Eastern world perspective.

Generally, Western approaches are often characterized as reactive, short-term, and selective in focus, whereas Eastern approaches are seen as more proactive, long-term, and comprehensive. Western economic power can be an end-to-itself; Eastern economic power is a means to influence all elements of power across the geopolitical competitive space.

Western societies often frame strategic thinking and collective actions through the lenses of discrete economic policies and trade agreements to stimulate markets and leverage military capabilities to assure allies, deter adversaries, prepare for potential crises, and, when necessary, defeat an enemy. Several historical examples of this progression are the Brenton Woods agreement (1944), the Marshall Plan (1948), and the formation of NATO (1949).

From an Eastern perspective, a recent example is China's Belt and Road Initiative (BRI) that was initiated in 2013 under the leadership of President Xi Jinping. The objective of BRI was to establish sustained significant land and maritime networks to strengthen Chinese economic growth and influence stretching from Mainland China, through the Central Asian States and Middle East all the way to Europe, to include Africa. China has invested more than $1 trillion in this initiative, by some accounts the most expensive infrastructure investment in history.

China's Belt and Road Initiative Key Points:

- China's Belt and Road Initiative (BRI) is a grand strategy based on the historic Silk Road with integrated goals across elements of national power; case-in-point, BRI uses economic agreements as the forerunner accompanied by strong diplomatic and information capabilities, while also setting conditions for extending military reach globally.
- The primary mechanisms for BRI agreements are infrastructure and economic development contracts financed through private loans provided by China's state-owned banks. The loans have limited transparency and are primarily focused on mid-income countries. To date, BRI includes 140 countries and 29 International Organizations, with more than 2,900 projects.
- As of 2022, 60% of BRI borrowers are in financial distress. Although China has sustained BRI by providing emergency lending to distressed borrowers to avoid default, the sustainability of China's lending practices is questionable due to restrictive lending terms, lack of balance sheet transparency, and China's stalling economy.
- Adding to this challenge is the fact that approximately 75% of the BRI contracts contain "No Paris Club" clauses making restructuring of distressed loans with non-China, state-owned banks difficult.
- Current domestic economic conditions in China are expected to put more stress on the short-term sustainability of the BRI.
- The G7's and EU's acknowledgment of the geopolitical threats of BRI and the formulation of a collective response was slow. It was not until 2022 that the Partnership for Global Infrastructure and Investment (or PGII), led by the United States, was rolled out to compete with BRI, with a commitment of $600 billion.

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Implications:

Unlike Western approaches to the elements of power, China's strategic thinking and actions do not separate DIME; rather for the Chinese, all four elements are integrated, interconnected, and coordinated providing potentially significant advantage to maneuver in both the short, mid, and long term.

China finances BRI through its state-owned banks, with primary emphasis on infrastructure, land, and maritime connectivity. As a result, China effectively utilizes its economic strength to leverage diplomatic, informational, and military power. Using its economic power, China's state-owned companies own and/or operate 90 ports in 53 countries. While China's focus is on economic trade and investing in railways, roads, ports, mines, and factories, the geopolitical threat of this investment shows that it is simultaneously expanding access and reach regionally and globally in ways that will enable military use.

In contrast, PGII, led by the United States, uses public and private capital, and prioritizes investments in climate, digital infrastructure, diversifying supply chains, and social issues. The open question is how effective the differentiation will be in building partnerships through the PGII programs compared to the BRI infrastructure investments.

Western forecasters should be cautious regarding the impact of short-term economic challenges on the BRI sustainability. BRI has been a 10-year strategy providing a counterweight investment alternative to remaining reliant on the United States and Europe for economic growth and political stability. BRI and the PGII offer differentiated value to nations trying to balance alignment with national interests and exercise the relative leverage available.

Forecast:

- China's domestic economic downturn will slow BRI growth. Some analysts suggest that BRI has run its course in its 10th year and that China needs to do some belt tightening as it focuses on what Xi stated to be the 'small and beautiful' vice; larger infrastructure efforts, particularly in Africa.
- Also slowing BRI's growth, is the realization that most recipients of BRI are in the Developing World. Instead of gaining economic success with a partnership with China, they yielded little benefit with the Chinese-built projects and incurred huge debts that cannot be paid.
- China will stick with its long-game strategy to redefine global trade routes and attempt to marginalize U.S. influence across all elements of DIME. This strategy will reshape China's global governance by continuing its focus internally, regionally, and globally. Examples of this are China's three global initiatives: The Global Development Initiative, the Global Security Initiative, and the Global Civilization Initiative.
- The War in Ukraine, tensions in the South China Sea, China's gains through BRI, as well as a progressively enhanced partnership between China and Russia, will increasingly stress the diplomatic, information, and economic attention and capabilities of the G7.
- GII effectiveness will depend on the ability of the G7, EU, and private sector to make market development investments functional and competitive. Assuming the PGII nations and private sector partners do not get distracted by near-term geopolitical conflicts and these groups can sustain public and private stability, commitment, and transparency, the PGII has the potential to become "preferred" over the BRI for mid and low-income nations.

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