How New and Crafty is China's "New Economic Statecraft"?

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"Development is the foundation of security, and security the precondition for development."
--Xi Jinping (May 21, 2014, Shanghai)[1]

According to the emerging conventional wisdom, Chinese President Xi Jinping is leading China into a new, more ambitious era of foreign economic policy. From the creation of the Asian Infrastructure Investment Bank (AIIB) to the rollout of the One Belt One Road (OBOR) or New Silk Road initiative, new Chinese-led financial and development institutions and initiatives have spurred speculation about the dawn of a new age of Chinese regional and global economic influence. But China's purported international economic grand strategy is not new, nor has it been uniformly successful. Instead, it is grounded in—and indeed is an attempt to extend—China's long-standing peaceful development framework, especially as it has been applied to developing countries. As China expands the scale of resources and geographic reach of this approach, complications and difficulties already apparent in its development-focused foreign economic policies are likely to create unexpected challenges for China and the world.

Those highlighting the ambitious nature of China's new international economic initiatives follow a well-worn path of scholars and policymakers who have been debating China's "new assertiveness" on traditional security issues, especially in China's own neighborhood. Whether seen as assertive and disruptive or bold and benevolent, claims about China's new foreign policy approaches often align in portraying Xi Jinping himself as leading a definitive break from the low-key, even quiescent, foreign policy framework established by Deng Xiaoping in the 1980s and as personally shepherding in a new, more active and self-confident role for China in global affairs.[2]

In fact, on the traditional security front, Western scholars and policymakers aiming to understand the background and direction of China's maritime disputes with neighbors like Japan, the Philippines, and Vietnam have increasingly debated both how "new" and how "assertive" China's new assertiveness truly is.[3] Yet on the international economic policy front there has been little similar debate about how new or how transformative China's recent foreign economic policies and initiatives really are. Instead, increasing references to a Chinese "geo-economic"[4] strategy or strategies tend to equate recent (or at least recently repackaged) initiatives like OBOR and the AIIB with Xi Jinping's more general foreign policy reforms without placing such initiatives into a broader historical or policy context. Even some emerging work that seeks to locate China's new international economic initiatives within a more well-established international political economy (IPE) literature on "economic statecraft" often fail to answer how new and how effective such purported statecraft actually is.[5] Therefore such sui generis views of a qualitatively new era of Chinese international economic engagement, designed to catapult China into a position of regional and global economic and political influence, overlook continuities as well as vulnerabilities in both the logic and practice of long-standing Chinese foreign economic policies.

In fact, as the initial quote from Xi Jinping attests, China's leaders are doubling down on a core and long-standing element of Chinese domestic and international policy: economic development as the foundation for stability, security, and peace. Such a framework predates the Xi Jinping leadership and is enshrined in China's "peaceful development" (PD) foreign policy strategy.[6] The PD framework has long ascribed almost magical powers to economic development at both the domestic and foreign policy levels. For a country often portrayed as the poster child of a form of "state capitalism" fundamentally at odds with Western liberal economic and political institutions and norms, China's PD framework is actually built on the reassuring, almost classically economic liberal logic that China's own continuing economic development both necessitates, and contributes to, "win-win" international economic and political interdependence.

Far from rejecting such a logic of mutually beneficial development, Xi Jinping has extended and deepened this framework by promoting development as the *sine qua non* for China, its neighbors, other developing countries, and the international system in general. Indeed, China's own development experience (infrastructure promotion, for example) and its own identity as a developing country provide a crucial backdrop to foreign economic initiatives that increasingly emphasize the role of China-led development and China's ties to developing countries and regions both near and far.[7] Yet over the last decade plus, China's relations with such developing country regions, in particular Africa and Latin America, offer important lessons about the possibilities and pitfalls of China's "developmentalist" foreign policy as it increasingly is extended through Asian regional initiatives like OBOR and the AIIB.

Indeed, existing blind spots, deficiencies, and challenges tied to China's PD conceptual and policy framework are only likely to be accentuated as China pursues both existing and new regional and international development initiatives. Ultimately, a paradoxical combination of China's own extremely challenging domestic economic reform path, along with a stepped-up, self-confident portrayal of China as an engine of development in its own region and much further abroad, both contribute to a dynamic but perilous intensification of China's PD approach that the current conventional wisdom about China's purportedly new and effective economic strategy almost completely overlooks.

A Growing Interest in Chinese Economic Statecraft

Momentum is building behind the perception that China has a new, ambitious, and geopolitically astute international economic strategy, which has already begun to effectively challenge existing international financial and development institutions and norms, not to mention U.S. economic hegemony in Asia and beyond. Yet elements of this idea are not entirely new. Its roots go back at least a decade to discussions about China's domestic economic development model and to the country's evolving international economic policies and relations. Since around 2004, the idea that a capable, non-democratic Chinese state has strategically fostered the country's post-Mao rapid economic growth has led to the popularity of concepts like the "Beijing Consensus" and the "China Model" of development.[8] In the wake of the financial crisis, such concepts gained momentum as China became the global poster child for a "state capitalist," mercantalist model of development in which industrial policy, the role of state-owned enterprises (SOEs), and competitive (or "manipulated") exchange rates all featured prominently.[9]

While some worried that Chinese "authoritarian capitalism" was setting a potentially harmful example of the benefits of illiberalism to other developing countries and authoritarian regimes,[10] most discussions of a China Model had until recently remained primarily focused on its effects (for better or for worse) on China's own domestic economic and political system. The one major exception has been a rising interest in the impact of China's "going out" strategy, in place since around 2000. China's rapidly growing outbound foreign direct investment (OFDI), especially by SOEs, as well as the rising volume of bilateral, state-backed overseas financing deals and foreign aid, have led to growing interest in the political and economic motivations and impacts of the outbound activities of Chinese SOEs and state "policy banks" (including the China Development Bank or CDB and the Export-Import Bank).[11]

Yet until recently very few academics or policymakers inside or outside of China explicitly equated China's growing global economic footprint with new, strategic, power-enhancing effects of this footprint. Ongoing discussions among international relations academics inside and outside of China about the gap between growing "capabilities" and "influence" has focused more on the aspects of security and soft power and less on economics. [12] Even the very few studies that explicitly explore China's "economic statecraft" almost all come to deeply ambivalent conclusions about the nature and impact of associated policies.[13] So while there is a well-established interest in China's statist economic development model and the government's role in growing outbound investment and financial ties, there has been only limited discussion of the strategic Chinese deployment of trade, investment, and financial instruments that purportedly underpin China's growing international economic and political influence.

The rising sense that China has formulated and deployed new international economic strategies to enhance the country's economic and political clout has two clear sources. First, Xi Jinping's own policy initiatives, including most prominently the creation of the AIIB and the rollout of OBOR, have attracted significant attention. The AIIB, a new multilateral economic development institution, has drawn attention because it is seen by some, including apparently the U.S. government, as an effective alternative or competitor to the existing Bretton Woods international finance and development architecture that has been in place since World War II.[14] OBOR, in turn, has been portrayed by Chinese officials and scholars as a bold, new strategic initiative to promote development and infrastructure as well as deeper political ties with neighboring regions in Central, Southeast, and South Asia as well as further afield in Europe and Africa. China's growing economic collaboration with Russia, especially for energy investment and trade, has also contributed to the impression that China is pursuing strategic economic initiatives in its near abroad. The combination of official Chinese government publicity, scholarly support, and actual institutional inauguration of these projects has given impetus to impressions of a massive, coordinated, and game-changing strategic Chinese push into global development and infrastructure financing and building.

This increased attention to what are portrayed by some as strategic Chinese foreign economic initiatives has recently been taken to a new level by a number of historically revisionist, hawkish research reports from prominent U.S. think-tank and security analysts.[15] The first line of argument in these reports is that the United States and the West, through their decades-long economic engagement with China and consistent misunderstanding of the nature of China's long-term mercantilist economic strategies, have naively facilitated China's increasing economic strength and assertiveness.[16] For example, in his recent book Michael Pillsbury argues that the West, and in particular the United States "is largely responsible" for China's "economic miracle",[17] all the while buying China's "false narrative" about its benign, market-oriented economic reforms. Others, such as Robert Blackwill and Ashley Tellis agree with many of these claims and further argue that China has been systematically but stealthily building leverage over its neighbors, including U.S. allies in Asia, through its trade and investment practices and thus contributing to "the pacification of its extended geographic periphery."[18] Such views of the new, effective use of Chinese strategic economic instruments in its neighborhood have been bolstered by some Chinese arguments about how China, under Xi's new policies of "striving for achievement," should continue to buy or build regional influence through a range of potentially asymmetrical economic relationships.[19]

A combination of factors, then, is behind the growing impression that the Chinese government is strategically leveraging more, and more effective, economic instruments to enhance China's power and influence both in its own neighborhood and further afield. Adding to the already-existing impression by many outside of China that the country has employed a state-led, mercantalist development model to achieve rapid economic growth at home, the Xi Jinping administration's high-profile international economic initiatives have added fuel to the fire for those who see China capitalizing on its new economic might and imputed traditional strategic prowess.[20]

This is true of China's domestic advocates and its foreign critics. Some who lament these developments see this as a prelude to a new era of illiberal Chinese influence over the global economy, its neighbors, and the developing world. Others, including some Chinese policymakers and academics, view such developments as the dawning of a bold new era of strategic Chinese economic engagement with its neighbors and beyond. In both cases, the policies' effects are expected to be transformative well beyond China's borders.

It's (Still) All About Peaceful Development

Yet the claim that China's international economic strategy and policies under Xi are novel and that they will categorically change the global economic landscape deserves greater scrutiny. A reappraisal of the continuing evolution and importance of the concept and promotion of "development," for both Chinese domestic and international identities and policies, is necessary for understanding China's international economic initiatives under Xi Jinping's leadership. Such an analysis demonstrates that Xi Jinping continues to use, and is seeking to expand, the peaceful development framework, in particular its emphasis on the salubrious interaction between economic development and political stability, which has guided China's relationships with developing countries in Latin America and Africa for the past decade or longer.

Indeed, for all the attention focused on China's purportedly new, proactive, power-enhancing international economic initiatives under Xi Jinping, curiously little has been said about the continuing importance of peaceful development as a central component of China's grand strategy.[21] The official PD framework, in place well before Xi came into office, continues to be a crucial conceptual and operational guide to the core political-economic worldview that underpins much of China's increasingly developmentalist approach to managing relations with the outside world.

Much has been written about China's PD foreign policy doctrine, as well as its "peaceful rise" precursor, but it is the specific PD political-economic logic connecting China's development at the domestic and international levels that deserves reconsideration. In its 2011 white paper on peaceful development, China's State Council definitively laid out the PD "strategic" logic, at the center of which was the reaffirmation of development as post-Mao China's primary economic objective. At its core, the PD conceptual framework is based on a purported virtuous circle: China's own continued economic development depends on a peaceful and stable domestic and international environment and in turn China's continued development will contribute to international peace and prosperity. Throughout the white paper, and repeated continuously by Chinese officials before and since, is the language of "win-win," "mutually beneficial," "common development."

Thus the PD concept is clearly meant to signal that China sees its own development and "rise" not as a zero-sum game in which China's gains are any other country's losses, but instead as reliant on interdependent, positive-sum economic and political relations with other countries around the world. Just as important, however, embedded in the PD logic is the almost classically economic liberal idea that by pursuing its own economic interests (such as "development,") China will not only serve its own self-interest but contribute to the development of its international economic partners, who are also pursuing their own economic interests through their commercial engagement with China. The end result is a supposedly natural, mutually reinforcing cycle of comparative advantage-based economic development that underpins peace and stability for China, its neighbors, and the world.[22]

Such a scenario certainly strikes many of China's neighbors, not to mention the United States, as idealistic at best or rhetorical cover for China's "secret strategy to replace America as the global superpower" at worst.[23] Indeed, even if China's PD foreign policy framework was primarily designed as a reassurance strategy toward the United States,[24] its emphasis on economic development (not to mention implied or direct criticisms of U.S. "hegemony") was always likely to find a more receptive audience in developing countries.

For China and some of its still relatively new economic and diplomatic partners in developing country regions, in particular Africa and Latin America, the logic of China's PD policies has a special resonance. Since the early 2000s, China's trade, investment, and diplomatic relations with these two regions have boomed and in 2006 and 2008, respectively, China issued policy white papers about China's relations with each region. These policy papers repeat and extend the overall PD logic, emphasizing a natural, win-win economic "complementarity." At its core, the emphasis on complementarity was another way of stressing the gains to be derived from natural comparative advantage. Published in the midst of the China-led commodity boom of the 2000s, the white papers' focus on mutually beneficial complementarity seemed especially well-suited for these regions since parts of South America and Africa are major producers of the raw materials China increasingly needed to feed its deepening industrialization and urbanization. At the same time, many "emerging markets" in Africa and Latin America provided outlets for China's manufacturing exports and surplus capital. China emphasized that comparative advantage, commodity-for-manufactures-based relations should be viewed as part of a broader "South-South" interaction among developing countries.

By the end of the first decade of the 2000s, peaceful development had become one of China's most important foreign economic policy frameworks, for some the key statement of China's "grand strategy."[25] With a focus on "win-win," "mutually beneficial" commercial and diplomatic relations, the PD doctrine, along with China's two official policy papers on relations with the developing country regions of Africa and Latin America, represent key ideas and approaches to China's foreign economic and political relations that are very much at odds with the emerging conventional wisdom about China's mercantalist international economic strategy.

This peaceful development framework has remained highly relevant under Xi Jinping, despite the conventional wisdom about his novel departure from past policy. Arguments about a fundamentally new Chinese foreign economic policy approach under Xi Jinping often claim that China has jettisoned the PD framework for a more activist or assertive foreign policy approach. Other foreign observers dismiss the PD framework as mere rhetoric.[26] Yet it would be wrong to argue that Xi has abandoned or fundamentally altered the core PD conceptual and policy framework. The more accurate understanding is that China's recent international economic initiatives build on the PD logical framework and in fact extend and deepen it. In effect, Xi has doubled down on the peaceful development political-economic logic in many of China's recent or repackaged international economic initiatives. Importantly, all of these initiatives and institutions target development challenges, and opportunities, in developing countries and regions.

Xi has made the extension of peaceful development principles and policies a key element of his foreign policy agenda. Even in promoting his signature "Chinese Dream" concept, Xi has drawn on the framework's core logic and language. In 2014 he said, "We should seek other countries' understanding of and support for the Chinese dream, which is about peace, development, cooperation and win-win outcomes. What we pursue is the wellbeing of both the Chinese people and the people of all other countries."[27] And even though China's relations with its Southeast Asian neighbors have been a focal point of claims about China's new assertiveness, Xi has re-emphasized the importance of creating a "community of common destiny" in China's own neighborhood. The logic behind such a "community" continues to rest heavily on the purported mutually-beneficial economic results of increased interdependence. Here, and this is possibly the true Xi-led innovation, there is clear overlap between the *economic* and *security* elements of China's developmentalist foreign policy orientation.

China's promotion of institutions and initiatives like the AIIB and OBOR are clear extensions of the existing PD logic. Through these initiatives, China seeks to promote economic development, especially via infrastructure financing and construction, in the hopes of advancing China's and its neighbors' development prospects, and by extension regional peace, stability, and security. Therefore, even if Xi Jinping has in fact sought to portray China's promotion of high-profile projects like OBOR and the AIIB as part of a new, more proactive era of international economic diplomacy, he has continued to tout the merits of such initiatives within the PD language and logic. As Xi himself said in 2014, "We have worked hard to creatively pursue China's diplomacy in both theory and practice . . . and enrich the strategic thinking of peaceful development."[28]

China appears poised to apply this developmentalist PD logic on a grander geographic scale, a policy track that contains myriad risks. It is China's continuing emphasis on the pursuit of economic development, especially through further engagement with other developing countries, including those in its own neighborhood, that is a focal point of these newly energized international economic initiatives. In fact, in promoting the AIIB and OBOR, China will increasingly rely on lessons learned from its engagement with more distant developing country regions like Latin America and Africa. Yet a closer look at such lessons reveals a range of challenges and difficulties that should give China and others pause about the country's reenergized approach to international economic engagement. Even before Xi came to office, and especially in ties to developing countries, cracks were beginning to show in the peaceful development logic. Much analysis of China's supposedly new economic statecraft is almost completely blind to these cracks, which are likely to widen and deepen with the evolution of these initiatives.

What's So Funny 'Bout Peace, Love, and Understanding?[29]

These cracks demonstrate that the emerging narrative about China's new "bold economic statecraft,"[30] based on statist tools and revisionist goals, sits uncomfortably beside the idealistic PD story China tells itself and the world about how its own continued economic development both necessitates and underpins regional and international economic growth and peace. Interestingly, and using quite opposite logics, the predominantly Western, mercantilist, "geo-economics" perspective and the Chinese PD perspective that equates development with peace and stability both agree that China's economic and political influence in developing country regions has grown dramatically and will likely grow yet further.

Yet despite such convergence, both perspectives are ill-fitted to understanding the nature of the challenges and changes facing China's relations with these regions. In fact, it is not the prowess of China's economic statecraft in engaging developing countries both near and far that should elicit anxiety or excitement, but instead the very real difficulties and contradictions that have already emerged as such engagement has deepened and evolved.

Despite China's rhetoric of win-win, complementary, South-South relations with developing countries, this PD harmony-of-interests logic also faces a number of contradictions. These contradictions have come in three different forms. First, even during the height of the decade-long commodity boom of the early 2000s when the logic of South-South complementarity should have been working the smoothest,[31] China had begun to hear concerns and anxieties from some of its new Latin American and African commercial and diplomatic partners about the sustainability and relative gains in these ties. For example, upon coming to office in 2011, Brazilian President Dilma Rousseff declared that she wanted to move "beyond complementarity" in Brazil's commodity-based trade relationship with China, thus implicitly questioning the nature and viability of their "win-win" relationship.[32] Similarly, in 2013, the head of Nigeria's central bank declared in the *Financial Times* that "It is time for Africans to wake up to the realities of their romance with China . . . we must see China for what it is: a competitor . . . Africa must recognize that China—like the US, Russia, Brazil and the rest—is in Africa not for African interests but its own."[33]

Such comments from Latin American and African leaders have been less a direct criticism of China or its policies than reflections of long-standing anxieties about unsustainable dependence on commodity-based exports and an overall lack of competitiveness with China in manufacturing production and exports.[34] In fact, the irony that the rapid growth of "South-South" China-Latin America and China-Africa relations was built on a kind of "natural" logic of comparative advantage that looked a great deal, at least structurally, like the North-South relations of previous eras, seemed all too easy to downplay or completely ignore during the go-go years of the China-led commodity boom.[35] Yet with the end of the commodity boom, itself linked to the slowdown in the Chinese economy, anxieties about commodity dependence and lack of manufacturing competitiveness are already growing in a number of countries that previously benefitted from the China-led commodity boom.[36]

China has also faced a second set of challenges in its relations with a number of other commodity-rich (in particular energy-rich) developing countries. Beginning with Libya in 2011, China has encountered a series of surprising and discomforting shocks in its relations with some of its relatively new energy trade and investment partners in Africa, Latin America, and Southeast Asia. In the wake of the demise of the Gaddafi regime in 2011, China was confronted with the loss of tens of billions of dollars in oil investments and had to rescue more than 35,000 Chinese citizens working and living in the country.[37] In Latin America, China's oil, financing, and diplomatic ties to Venezuela, all of which flourished during Hugo Chavez's presidency, are all threatened by Venezuela's deepening economic, social, and political crisis.[38] Even before the rapid drop in oil prices that began in the second half of 2014, China's state-to-state loans had become a key lifeline for the Venezuelan government, yet today China has the extremely difficult choice between continuing to finance a profligate and dysfunctional government and abandoning the closest thing China has to a strategic "ally" in the Americas. From Argentina to Angola, policymakers and scholars are increasingly questioning whether the size and nature of loans and investments from China are sustainable or desirable.[39]

A third type of challenge for China is closer to home where some Southeast Asian countries that previously had intimate economic and political ties to China have reconsidered their relationship with their larger neighbor. For example, China's relations with Myanmar, or Burma, which it used to trumpet as a centerpiece of regional win-win ties, have been upended by Myanmar's domestic political opening and its new economic and diplomatic engagement with the United States and its Asian allies, such as Japan. More recently, China's previously tight investment and diplomatic ties to Sri Lanka have been subject to a reassessment by a new Sri Lankan government concerned that China may have accrued too much influence. Such abrupt changes to seemingly stable, interdependent relations with countries in its neighborhood are likely more disconcerting to China, in part because they are unexpected, than its obviously tense maritime relations in the South and East China Sea.

For China, what all of these challenges have in common is that either as a result of an unexpected (for China) change in their political or economic system, or both, this diverse set of countries' trade, investment, and diplomatic relations with China have not been nearly as stable and positive as China's win-win, complementarity-based PD framework would have predicted.

To date, Beijing seems largely undeterred by these challenges. For its part, and despite the unanticipated nature of these changing relationships, China has forged ahead with both policies and rhetoric encouraging deepened economic and political ties with developing countries both near and far.[40] In particular, the Chinese-led AIIB and OBOR initiatives are designed to encourage and facilitate more Chinese financing and investment, in particular for infrastructure and "connectivity" development, with neighboring countries as well as regions further along the "New Silk Road(s)" such as the Middle East, Africa, and, ultimately, Europe. Again, these initiatives, in addition to Xi Jinping's continuing emphasis on the creation of a "community of common destiny" in East Asia, not only build on, but also further extend, China's PD policies and logic by emphasizing how enhanced economic engagement with its neighbors and beyond will directly contribute to peace and stability for China, its neighborhood, and the world.

Nonetheless, as China pushes its PD paradigm of development promotion into overdrive, the possibility that some or all of the problems and challenges discussed above will proliferate only grows. If China's existing efforts at OFDI and resource-based financing in high-risk countries and regions serves as any guide, new initiatives targeting infrastructure finance and construction in neighboring countries like Pakistan, Cambodia, or as far away as the Middle East, East Africa, and South America will be challenging at best and prone to conflict at worst.

Nonetheless, as the opening quote from Xi Jinping attests, China's leadership increasingly and explicitly links "development" with "security." Such logic is also increasingly echoed by academics who claim that China's PD policies not only will continue to promote development around the world, but that even in particularly crisis- or conflict-prone regions, China-facilitated development can in fact be a solution to physical conflict and security crises.[41] Thus, one of the most underappreciated concerns about Xi Jinping's doubling down on the country's PD paradigm is that unprecedented Chinese faith and confidence in the logic of win-win outcomes, especially those derived from China's development promotion policies, will in fact lead to major expectation inflation or to accusations that failed policies were the result of foreign influence.

Conclusion

Rather than introducing an altogether novel period of Chinese international economic statecraft, China under President Xi Jinping has in fact doubled down on the "development" part of its peaceful development doctrine and logic. This is clearly not to imply that Xi's interpretation or pursuit of peaceful development is or will be entirely the same as his predecessors,[42] but the foundational PD win-win logic and rhetoric remain firmly in place. What has changed amounts to a complex and paradoxical response to the profound challenges facing China at both the domestic and international levels, while at the same time China's leaders seek to project a confidence in their ability to be agents of development and stability at home and abroad.

Domestically, China has embarked on a major new economic reform drive aimed at fundamentally altering the economic growth model. Internationally, and especially important for China's ties to developing countries, the commodity boom of the early 2000s has come to a definitive end, emerging market growth has slowed or in some cases reversed, and China's own slowing economy and reform agenda have created deep uncertainties for China and the world.[43] Yet as China pushes forward with headline-capturing development promotion initiatives like OBOR, AIIB, the New (or BRICS) Bank, and others, more than ever is at stake for China and its relations with developing countries near and far. Both the economic and political viability of Chinese efforts to export "industrial capacity" through such initiatives will remain a live topic for debate inside and outside of China.[44]

Especially as China seeks to apply some of the lessons from its decade-plus of burgeoning relations with developing countries in Africa and Latin America to neighbors in Southeast, Central, and South Asia, the difficulties, challenges, and unexpected outcomes that are likely to emerge warrant careful attention. These considerations should be of equal or greater interest and concern to policymakers, academics, and businesspeople inside and outside of China than the power and influence that might subsequently accrue to China. Indeed, even if such initiatives proceed quickly and smoothly, how China would handle any increased leverage remains an important question.[45]

For as many economic and other benefits as China and its new commercial partners in Latin America and Africa have experienced in their last decade-plus of growing trade and financial ties, and as much as remains to be done in terms of their mutual development, there have also been serious and growing concerns about the fairness and viability of these "South-South" ties. As China seeks to promote ever more development-focused institutions and initiatives, in particular to finance and build infrastructure and broaden connectivity in developing countries, the risks as well as the possible rewards are potentially enormous.

Even though infrastructure has played a major (if often controversial) role in China's own domestic development, and even though the lack of enough quality infrastructure remains a key concern for many developing countries, it is not clear that China's own infrastructure development history, ideas, or plans will work or even be appropriate for other countries.[46] Moreover, financing and investment of such schemes requires a great deal of background knowledge and ability to understand the needs and concerns of the countries and people where such projects are to be developed. Most Chinese businesspeople, academics, and policymakers are still in the very early stages of developing the area-studies and political-risk understanding and capacity that will be necessary to carry out such projects in relatively stable countries and regions let alone in conflict-prone ones.[47] In the end, the proposed virtuous circle of development, stability, and security at the heart of China's expanding, developmentalist economic statecraft may not be so easily squared.

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[1] Xi Jinping, "New Asian Security Concept for New Progress in Security Cooperation," remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, May 21, 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

[2] For a portrayal of Xi Jinping's dominant role in both domestic and foreign affairs see Elizabeth Economy, "China's Imperial President: Xi Jinping Tightens His Grip," *Foreign Affairs* November/December (2014).

[3] See Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?" *International Security* 37, no. 4 (Spring 2013) and Aaron L. Friedberg, "The Sources of Chinese Conduct: Explaining Beijing's Assertiveness," *The Washington Quarterly* 37, no. 4 (Winter 2015).

[4] The term "geo-economics" has increasingly entered into popular use as a convenient shorthand, or meme, for a range of international economic phenomena with geopolitical implications. It is especially in vogue among some international relations pundits and think tank analysts. For example, the International Institute for Strategic Studies and the Council on Foreign Relations both have active geo-economics programs, while for the last three years in a row the World Economic Forum has sponsored special sessions and publications tied to its Global Agenda Council on Geo-economics. Some trace the concept to Edward Luttwak, also associated with a foreign policy think tank, the Center for Strategic and International Studies. See Edward N. Luttwak, "From Geopolitics to Geo-Economics," *The National Interest* (summer 1990). However, the term is almost never explicitly defined and is rarely if ever employed by academic political economists. A recent review of the nascent geo-economics "literature" largely confirms the term's ambiguity. See Mikael Mattlin and Mikael Wigell, "Geoeconomics in the context of restive regional powers," *Asia Europe Journal* (19 November 2015).

[5] Within the realist tradition of IPE studies, there has long been an explicit focus on governments' strategic use of economic tools to enhance their power and security. It is within this tradition that the concept of "economic statecraft" falls; see, for example, Jean-Marc F. Blanchard and Norrin M. Ripsman, *Economic Statecraft and Foreign Policy: Sanctions, Incentives and Target State Calculations* (New York: Routledge, 2013). The study of Chinese economic statecraft is still largely in its infancy; however, William J. Norris provides an early exception with his "Economic Statecraft with Chinese Characteristics" (MIT Ph.D. Dissertation, 2010), while a

forthcoming edited volume seeks to address the topic, see Li Mingjiang and Natalie Yan Hong, eds., *China's Economic Statecraft Co-optation, Cooperation, and Coercion* (World Scientific).

[6] The Chinese government, including Xi Jinping, officially refers to its peaceful development doctrine as a "strategic choice". See http://in.chineseembassy.org/eng/zt/peaceful/t855717.htm and http://news.sina.com.cn/o/2015-11-07/doc-ifxknivr4270777.shtml.

[7] For background, see Peter Van Ness, "China as a Third World State: Foreign Policy and Official National Identity," in Lowell Dittmer and Samuel S. Kim, eds., *China's Question for National Identity* (Ithaca: Cornell University Press, 1993) and Derek J. Mitchell, "China and the Developing World," in *The China Balance Sheet in 2007 and Beyond* (Washington, D.C.: CSIS and Peterson Institute for International Economics): 109-131.

[8] See Matt Ferchen, "Whose China Model Is It Anyway? The Contentious Search for Consensus," *Review of International Political Economy* 20, no. 2 (2013), 390-420.

[9] On state capitalism, see Ian Bremmer, "State Capitalism Comes of Age: The End of the Free Market?", *Foreign Affairs* (May/June 2009). For an earlier mercantalist argument see Clyde Prestowitz, *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East* (New York: Basic Books, 2005). Tom Christensen likewise highlights a new phase of Chinese "offensive diplomacy" in the wake of the financial crisis. See *The China Challenge: Shaping the Choices of a Rising Power* (New York: W.W. Norton and Company, 2015), chapter 8.

[10] See Nazneen Barma and Ely Ratner, "China's Illiberal Challenge," *Democracy* 2 (Fall 2006).

[11] A debate about the form and impact of Chinese foreign aid has touched on whether or not China pursues "political" or "foreign policy" aims with its aid policies, yet such debates remain narrowly focused on definitions and measurements of "official development assistance" or ODA in the context of China-Africa ties. For a critique of China's "rogue" foreign aid, see Moises Naim, "Rogue Aid," *Foreign Policy* (October 15, 2009). For a response see Axel Dreher, Andreas Fuchs, Bradley Parks, Austin M. Strange, Michael J. Tierney, "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," AidData Working Paper 15 (October 2015).

[12] As part of the capability-influence gap discussion, Evelyn Goh has spoken of the economic "multiplier effects" China has achieved as a result of increasing trade interdependence with Southeast Asia. See Goh, "The Modes of China's Influence: Cases from Southeast Asia," *Asian Survey* 54, no. 5 (2014), 825-848. See Michael Glosny, "Chinese Assessments of China's Influence in Developing Asia," for a detailed

study of Chinese assessments of the influence gap in Goh, ed., *Rising China's Influence in Developing Asia* (forthcoming, Oxford University Press).

[13] See, for example, Jean-Marc F. Blanchard, "China's Grand Strategy and Money Muscle: The Potentialities and Pratfalls of China's Sovereign Wealth Fund and Renminbi Policies," *The Chinese Journal of International Politics* vol. 4 (2011): 31-53; Deborah Brautigam and Tang Xiaoyang, "Economic Statecraft in China's New Overseas Special Economic Zones: Soft Power, Business or Resource Security?" *International Affairs* 88, no. 4 (2012), 799-816, and James Reilly, "China's Economic Statecraft: Turning Wealth Into Power," Lowy Institute (November 2013).

[14] Jane Perlez, "China Creates a World Bank of Its Own, and the U.S. Balks," *The New York Times* (December 4, 2015).

[15] Harry Harding has analyzed some of these arguments as part of a new debate about the efficacy of U.S. China policy. See "Has U.S. China Policy Failed?," *The Washington Quarterly* 38, no. 3 (2015), 95-122.

[16] Authors like James Mann have long lambasted U.S. policymakers for their naiveté in believing that U.S. economic engagement with China would lead to greater Chinese political openness. See James Mann, *The China Fantasy: Why Capitalism Will Not Bring Democracy to China* (New York: Penguin 2008).

[17] Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: Henry Hold), 159.

[18] Robert D. Blackwill and Ashley J. Tellis, "Revising U.S. Grand Strategy Toward China," Council on Foreign Relations, Special Report no. 72 (March 2015), 13-14.

[19] See Yan Xuetong interview, "China needs to 'purchase' friendships, scholar says," *Nikkei Asian Review* (March 2, 2015).

[20] Henry Kissinger has done as much as anyone to bolster the idea of China's inherent strategic foreign policy prowess. In his book *On China* (New York: The Penguin Press, 2011), he argues that China has historically been an adept practitioner of its own unique version of realpolitik. Applying a version of this reasoning to China's foreign economic policies, in 2015 Robert Blackwill argued in a talk entitled "China, the United States and the Rise of Geoeconomics" that "China frequently flexes its economic muscle in pursuit of geopolitical aims", while "the US appears to have largely forgotten the historic role of geoeconomics in foreign policy." More recently Blackwill, along with Jennifer M. Harris, has extended this critique—see "The Lost Art of Economic Statecraft: Restoring an American Tradition," *Foreign Affairs* (March/April 2016).

[21] One exception is Barry Buzan, yet even he does not focus on the key economic dimension of the policy. See Barry Buzan, "The Logic and Contradictions of 'Peaceful Rise/Development' as China's Grand Strategy," *The Chinese Journal of International Politics* 7, no. 4 (2014), 381-420.

[22] Such a "harmony of interests" framework, and its flaws, were the focus of E.H. Carr's classic *The Twenty Years Crisis, 1919-1939* (New York: Harper Perennial, 1964 edition).

[23] Pillsbury, *The Hundred-Year Marathon*.

[24] This is Avery Goldstein's focus in his analysis of the "peaceful rise" precursor to PD. See *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005).

[25] See Goldstein, *Rising to the Challenge* and Buzan, "The Logic and Contradictions."

[26] Skepticism about China's claims to "third world" leadership is long-standing. For analysis, see Van Ness, "China as a Third World State."

[27] "Xi eyes more enabling int'l environment for China's peaceful development," November 30, 2014, http://news.xinhuanet.com/english/china/2014-11/30/c_133822694_4.htm.

[28] "Xi eyes."

[29] Elvis Costello, "(What's So Funny 'Bout) Peace, Love, and Understanding?" 1978 *American Squirm*, Eden Studios. Written by Nick Lowe.

[30] See the eponymous title of Gregory Chin's 2015 article, "China's Bold Economic Statecraft," *Current History* (September 2015), 217-223.

[31] *The Economist* dates the commodity boom from 2003 to 2013. See "Partying on a Precipice," *The Economist* (January 30, 2016).

[32] Ana Fernandez, "Brazil's Rousseff wants 'new phase' in China ties," *Yahoo Finance*, April 12, 2011, https://au.finance.yahoo.com/news/brazils-rousseff-wants-phase-china-031351119.html. Fernando Henrique Cardoso, the former Brazilian president, went even further when he stated that: "China's not the south. China is China, with its own set of interests." See Brian Winter and Brian Ellsworth, "Brazil and China: A young marriage on the rocks", *Reuters*, February 3, 2011.

[33] Lamido Sanusi, "Africa must get real about Chinese ties," *Financial Times*, March 11, 2013.

[34] For more on the "dependency" versus "complementarity" tropes, see Matt Ferchen, "China–Latin America relations: long-term boon or short-term boom?," *The Chinese Journal of International Politics* 4, no. 1 (2011), pp. 55-86.

[35] In fact, far from decrying such classical free market concepts as comparative advantage, some Chinese analysts of China-Latin America relations urge Latin American countries to embrace their commodity-based trade ties to China. See Jiang Shixue, "Demystifying the China-Brazil Relations," China Institute of International Studies, September 29, 2014, http://www.ciis.org.cn/english/2014-09/29/content_7270603.htm.

[36] See Carlos Casanova, Le Xia, and Romina Ferreira, "Measuring Latin America's export dependency on China," BBVA Working Paper no. 15/26, August 2015 and ECLAC, "Latin America and the Caribbean in the World Economy, The Regional Trade Crisis: Assessment and Outlook," ECLAC Briefing Paper 2015. On China-Africa, see Phineas Bbaala, "Emerging Questions on the Shifting Sino-Africa Relations: 'Win-Win' or 'Win-Lose'?" *Africa Development* Volume XL, no. 3 (2015), pp. 97-119. Outside of Africa and Latin America, Australia is also feeling the hangover effects from the end of the commodity boom. See Michael Heath, "How Australia squandered the commodities boom," *The Sydney Morning Herald* (April 24, 2015).

[37] See Jonas Parello-Plesner and Mathieu Duchâtel, *China's Strong Arm: Protecting Citizens and Assets Abroad* (London: The International Institute for Strategic Studies, 2015).

[38] See Matt Ferchen, "China's Misguided Hugo Chávez Love Affair," *The Diplomat*, November 30, 2012, http://thediplomat.com/2012/11/chinas-misguided-hugo-chavez-affair/ and "Crude Complications: Venezuela, China, and the United States," Carnegie Endowment for International Peace, October 23, 2014, http://carnegietsinghua.org/2014/10/23/crude-complications-venezuela-china-and-united-states/hsk9.

[39] On the particular debt burden associated with Chinese loans to Venezuela and Argentina, see Stephen Kaplan, "Banking Unconditionally: The Political Economy of Chinese Finance in Latin America," Institute for International Economic Policy Working Paper Series, Elliott School of International Affairs, George Washington University, IIEP-WP-2015-14, 2015.

[40] Southeast Asia occupies a special position in Chinese foreign policy in that is officially portrayed as a region of neighboring countries (周边国家), many of which are also developing countries (发展中国家), two separate but linked priorities in Chinese foreign policy. But the level of economic development in the region varies greatly, so to what extent the developing country nature of China's Southeast Asian neighbors (or Central Asian neighbors for that matter) does or doesn't equate with

regions more classically assigned to "developing" status by China (such as Africa and Latin America) is a potentially fraught question.

[41] See Wang Xuejun, "Developmental Peace: Understanding China's Africa Policy in Peace and Security," *Global Review*, Spring (2014) and Li Zhongxue, "China's OFDI Contributes to the Enhancement of Regional Competitiveness along the Belt and Road," Chinese Academy of Social Sciences, International Investment Studies, Policy Brief No. 201523, November 11, 2015.

[42] Key concepts of Chinese governance at the domestic and international level, such as "reform," "development," "order," and "stability" are very flexible and purposely so. See Matt Ferchen, "Regulating Market Order in China: Economic Ideas, Marginal Markets and the State," Ph.D. Dissertation, Cornell University, 2008.

[43] For example, Chinese leaders' mishandling of stock market and exchange rate policies over the summer of 2015 added to international concerns over the ability of the government to manage broader economic reforms. See Barry Naughton, "Reform Agenda in Turmoil: Can Policy-makers Regain the Initiative?" *China Leadership Monitor*, 48 (Fall 2015).

[44] On his visit to Brazil in the summer of 2015, Chinese Premier Li Keqiang emphasized the need for more "industrial capacity cooperation." See Michael Lelyveld, "China Pushes Production Abroad With 'Capacity Cooperation' Initiative," *Radio Free Asia*, June 8, 2015, http://www.rfa.org/english/commentaries/energy_watch/production-06082015110313.html.

[45] For example, many associate a sense of Chinese overconfidence after the financial crisis with the deterioration in hard-fought, reassurance-based ties to its Southeast Asian neighbors. See Christensen, *The China Challenge*.

[46] Abdenur has questioned how the New Development Bank's (originally the BRICS Development Bank) promotion of infrastructure development will actually promote key development goals like poverty alleviation. See Adriana Erthal Abdenur, "China and the BRICS Development Bank: Legitimacy and Multilateralism in South–South Cooperation," *IDS Bulletin*, 2014.

[47] On problems of Chinese political risk assessment, see Matt Ferchen, "Political Risk Analysis with Chinese Characteristics: The Curious Case of Venezuela," International Studies Association Annual Meeting, February 20, 2015.