Tanja A. Börzel, Valentin Krüsmann, Julia Langbein, and Lunting Wu

Colliding Scripts in Asia? Comparing China's Belt and Road Initiative and the EU Global Gateway Strategy

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CONTENTS

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Colliding Scripts in Asia?

Comparing China's Belt and Road Initiative and the EU Global Gateway Strategy

Tanja A. Börzel, Valentin Krüsmann, Julia Langbein, and Lunting Wu[1]

ABSTRACT

China's growing engagement in Eastern Europe through its Belt and Road Initiative (BRI) is often expected to challenge the EU approach to promoting regional development. We argue that BRI is not intended to export the China Model, and that it challenges the EU approach on the programmatic rather than implementation level. While both approaches subscribe to inclusive growth and global free trade, the BRI's "no strings attached" policy contrasts with the EU's rule- and value-based approach. We found decoupling between programmatic and implementation levels in both approaches. Brussels lacks the willingness and capacity to make countries adhere to its development script, reducing conflicts with the BRI on the implementation level. However, the BRI applies "conditionality through the backdoor", thereby supporting development at home rather than abroad. While the potential for collision appears low, the legitimacy of both scripts suffers, as neither delivers on its promise to support inclusive growth.[1]

1 INTRODUCTION[2]

Since its launch in 2013, the Belt and Road Initiative (BRI) has raised a flurry of debates among policymakers and scholars alike. Some see the BRI as a purposefully designed instrument for China to reshape global power relations (Callahan 2016; Doshi 2021), advancing an alternative script for economic development and global governance (Beck/Brødsgaard 2022; Ferchen 2013; Fukuyama 2016; Hameiri/Jones 2016; Jin et al. 2022; Knight 2014; Naughton 2010; Vangeli 2019; Wang 2018; Yang 2020; Ye 2020; Young 2018). The BRI has even been considered a new Marshall Plan, which not only showcases Beijing's hard power and economic success but also projects its soft power in the form of an alternative, successful China Model, challenging the liberal hegemony of the US and the Washington Consensus (Shen/Chan 2018; Vangeli 2019). Others contend that the BRI is not fundamentally at odds with the Western development model of globalisation and economic freedom. Rather, the BRI might unintentionally contest existing practices during the implementation process (Jones 2020). Still, others insist on the distinction between the BRI Model and the China Model, arguing that the two are related but not the same (Skidmore 2021).

To explore whether the BRI is compatible with or an alternative to the liberal development script, we focus on comparing the similarities and differences between China's BRI and the EU's approach to development. Amid its growing importance for trade with China, the European Commission (2016) has raised concerns about the BRI's compatibility with the EU development script, insisting that relevant aspects have to be "in line with EU law, rules

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and policies". The EU's recently developed Global Gateway strategy offers developing countries a "rule-based" and "value-driven" alternative to the BRI. It envisions EUR 300 billion for infrastructure investments to meet the grand challenges of the 21st century, including fighting climate change, improving health systems, and boosting security of global supply chains. The Global Gateway could be seen at least as an indirect contestation of the BRI (Ghiretti/Stec 2022). This stance does not necessarily mean that the two scripts for infrastructure development have to collide.

To understand how compatible the BRI and EU's approaches are, we compare them at the programmatic and implementation levels. We start by identifying the central tenets of the China Model before analysing the extent to which they have been built into the BRI. Our analysis shows that the BRI is intended to support the largely illiberal China Model at home rather than exporting it abroad. Moreover, the BRI's underlying approach to development shares the liberal commitment to inclusive growth and is compatible with other key principles of economic liberalism. At the same time, the BRI's proclaimed "no strings attached" policy in promoting development turns a blind eye to illiberal practices in partner countries. Additionally, at the implementation level, we find a decoupling between the declared policy and actual practice driven by principles and norms of the China model that creep into the implementation of the BRI. Its "conditionality through the backdoor" carries the greatest potential for a collision with the EU's liberal approach to development.

The final part of the paper outlines the EU's approach to development. Our analysis focuses on how the EU seeks to promote development in developing countries. Our empirical findings show that, similar to China in the context of the BRI, the EU aims at inclusive and sustainable economic growth through international trade and investment. Yet, for the EU, economic and political liberalism are co-constitutive. Economic development relies on the rule of law and democracy, and vice versa. The EU increasingly presents its rule- and value-based model as an alternative to the BRI's "no strings attached policy" of non-conditionality and non-interference. Yet, the BRI's flexibility, pragmatism, and openness should help avoid a direct collision at the programmatic level. At the implementation level, the potential for collision with the BRI's conditionality through the backdoor is mitigated by the EU's lack of willingness and capacity to make countries adhere to its liberal script. While the potential for collision appears to be lower than often assumed, the legitimacy of both scripts suffers, as neither lives up to its proclaimed promise of promoting inclusive growth.

2 THE CHINA MODEL AND THE BRI

Speaking at the 19th National Congress of the Chinese Communist Party (CCP) in October 2017, President Xi Jinping stated that "the China model for a better social governance system offers a new option for other countries and nations who want to speed up their development while preserving their independence" (Skidmore 2021: 327, citing President Xi Jinping). Similarly, in a 2018 op-ed, former Vice Minister for Foreign Affairs Yafei He (2018) remarked that "the success of the 'Chinese model' […] offers other developing countries an option different from the 'American model' for economic development". Such statements by Chinese leaders appear to corroborate Western perceptions that China is not only a competitor but a systemic rival representing an alternative, non-liberal script for socio-economic development. The following section will explore to what extent this is the case and whether the BRI serves as the vehicle to universalise China's model of state-directed, infrastructure-centred economic growth (Fukuyama 2016; Skidmore 2021; Vangeli 2018; Yang 2020; Young 2018).

2.1 THE CHINA MODEL OF DEVELOPMENT

In a paper published by the Foreign Policy Centre, Joshua Cooper Ramo (2005), a US foreign policy consultant, put forward the concept of the *Beijing Consensus* to describe the development model that contributed to China's rise. The concept draws its power from being constructed as the "polar opposite of the Washington Consensus" (Naughton 2010: 438). It has provided an early starting point for politicised debates on what exactly constitutes a China Model, or if such a model exists at all (Ferchen 2013; Kennedy 2010; Knight 2014; Naughton 2010). Critiques contend that the *Beijing Consensus* and the *China Model* have been developed by Western analysts and "too often ignore or minimize the contentious debates within China about how best to describe Chinese economic governance" (Ferchen 2013: 390). The reality of China's development is highly complex, and there are substantial disputes over its key economic underpinnings (e.g. the role of innovation). Additionally, any depiction of a China model needs to account for changes over time, as the methods with which China has pursued economic development since 1978 have evolved.

Recognising the complexity of distilling an encompassing model for explaining China's development, we identify six stylised tenets that serve as guiding principles to China's methods of attaining economic development throughout the reform-era period: a) political control and stability; b) economic growth; c) gradualism and experimentation; d) strong party-state intervention in the market; e) "rule by law" or "ruling the country according to the law"; and f) localisation of policy.

First, China's leadership views political stability as the overriding condition to achieve development. *Stability above everything else* has long been a doctrine of the Chinese Communist Party (CCP), even before the Tiananmen Square Incident in 1989. The quintessential concept of *Weiwen* ("维稳", maintenance of stability) describes one of the core duties of the government, and for its realisation, a tight Leninist style of political control is necessary (Mitter/Johnson 2021). China's focus on stability can be exemplified by the size of its national expenditure earmarked for internal security, which in 2020 accounted for around 5.23 per cent of the total expenditure of the central government (Liu 2021).

Second, social and economic development features prominently in the China model of development and has been given priority over development in other dimensions. In the post-Mao era, the legitimacy of the CCP's rule has largely been based on its delivery of economic growth, termed by some as *performance legitimacy* (Zhu 2011). The CCP repeatedly contends that "as a developing state, economic, social and cultural rights must take precedence over civil and political rights" (Chan 2013: 669). This notion was kick-started at the Third Plenary Session of the Eleventh CCP's Central Committee in 1978, which shifted the *centrality* of the Party from class struggle during the Cultural Revolution period towards economic development, ushering in the Reform and Opening Up era. Shuhong Huo and Inderjeet Parmar (2020) argue that as China was gradually integrated into the US-led order since 1978, policy reform was infused with free-market thinking and economics understood as a technocratic, policy-orientated discipline. The paramount emphasis on development propels the Chinese government to realise nationwide poverty reduction, construction of a (moderately) *well-off society*, national modernisation, and integration with the global economy. The fundamental position of prioritising development over class struggle also entails *pragmatism* in engaging with the political economy (Li et al. 2010). As long as an approach is conducive to national economic and social development, it will be adopted by the Party-State. While economic development continues to be key to the CCP's ruling legitimacy, the pragmatic approach is under strain given Xi's increasingly ideologised stance and policy (see State Council Information Office 2016).

Third, the China model of development adheres to gradualist principles and experimentalist approaches (Heilmann 2008). Chinese gradualism stands in contrast to the *shock therapy* prescribed to the Eastern European countries in the 1990s by the US Treasury and the International Monetary Fund (IMF), referring to overnight liberalisation and massive privatisation (Weber 2021). The gradualist doctrine is exemplified by China's five-stage state-owned enterprises (SOE) reforms, the selective and incremental opening of the domestic economy to foreign direct investment (FDI), slow internationalisation of its currency and prudent financial liberalisation (Johnston 2019; Li et al. 2010; Lin et al. 2020). As the pragmatic combination of a market economy with a socialist system is unique to China, prior successful experience from other nations is not available for reference, thus making the notion of policy *experimentation* ever more relevant. Indeed, many of China's key reform-era policies are products of successful policy experimentation. These include the establishment of a Special Economic Zone and the introduction of the Household Responsibility System in the early reform era, as well as newer initiatives, such as pilot Free Trade Zones and the current exploration of the *smart city*.

Fourth, the *party-state* is not only a regulator of the market but continues to be involved in allocating the factors of production. Despite the growing role of private enterprise in the Chinese economy (particularly in the non-capital-intensive sector), the nominal commercialisation of the state sector, significant financial sector liberalisation, and the fragmented and decentralised structure of the state, Reform and Opening Up has never *fully* replaced the *invisible hand* of the state (Hameiri/Jones 2016). The state still plays an important role in mobilising resources, coordinating strategic policy, and controlling macroeconomic development, including via the Five-Year Plans (FYP) system (Hu 2013: 631). Most of the ambitions currently outlined in the 14th FYP are accompanied by strong state intervention, particularly industrial policies designed to strengthen and upgrade its competitiveness. Examples include the rapid deployment of new and renewable energy (NRE), the building of strategic infrastructure, and global leadership in cutting-edge technology (Batson 2021). Subsidies, non-trade barriers, and other preferential policies introduced by the Chinese state distinguish the China model of development from mainstream international norms and practices (Weiss/Wallace 2021). The state also strictly controls domestic human mobility and labour prices with its *hukou* (household registry) system. And by systematically favouring loaning to SOEs, China's financial system allows the state to play a key role in capital allocation (Huang/Wang 2017). Finally, despite proclamations stressing the "decisive role" of markets in resource allocations, China's SOE reforms have stalled under Xi Jinping, whereas the role of the party-state in economic decision-making has been strengthened (Beck/Brødsgaard 2022; Pearson et al. 2022; Jin et al. 2022; Xinhua 2020).

Fifth, in contrast to the Western notion of the *rule of law*, in China, the concepts of *rule by law* or *ruling the country according to the law* (in Chinese: 依法治国) prevail. This concept implies that the party is above state laws. The judiciary is constitutionally accountable to the legislature presided over by a Standing Member of the Politburo, meaning that there is no judicial independence or check-and-balance of government power. In practice, the judiciary is subsumed to the CCP as the President of the Supreme People's Court merely occupies a seat in the CCP's Central Committee, not even in the Politburo. In commenting on the *rule by law* in China, Jessica Chen Weiss and Jeremy L. Wallace (2021: 640) observe that "[l]aws in China have proliferated, but the CCP has redoubled its commitment to using the law to carry out its objectives rather than allowing the law to constrain its discretion". This practice stands in contrast with the impartial judiciary in Western liberal democracy, as "the restraints on government power in China [...] do not restrain the Party, which is the only real ruler in China" (Ye 2020: 12).

Finally, the localisation of policy characterises the China model of development. This approach is opposed to the one-size-fits-all approach in the Washington Consensus, detached from the specific circumstances of each country. In fact, China's insistence on localisation of policy predates the Washington Consensus, as can be seen in its adaptation of multiple Soviet practices, such as the focus on rural rather than urban areas to launch the proletariat revolution (Li et al. 2010). Localisation is intrinsically linked with the Westphalian principle of sovereignty, rejecting the imposition of universal values or norms. As a result, we recurrently see concepts such as socialism with Chinese characteristics, human rights with Chinese characteristics, and socialist rule of law appear in Chinese political ideology (Boer 2021).

Overall, the China model of development contains several elements hardly compatible with liberal principles and norms. But to what extent is this China Model embedded in the BRI? We posit that the BRI seeks to strengthen the China development model internally, principally by supporting China's economic development and preserving the centrality of the party-state in leading economic activities. It should not be conceived as a vehicle to export the China Model abroad.

2.2 THE BRI'S APPROACH TO DEVELOPMENT

Naturally, the BRI's vision of development reflects the China development model. Yet, several fundamental differences suggest that the BRI's underlying approach to development is partly based on principles that do not directly challenge the liberal script.[3] We will start by analysing the BRI on the programmatic level before moving on to how the BRI is put into practice at the implementation level.

First, the BRI is open "to all countries, and international and regional organisations for engagement" (V&A: §2). The nature of a country's political and economic system is not a determinant for BRI cooperation (Vangeli 2018: 74). The BRI prioritises large-scale poverty reduction and socio-economic development over the development of political and civil rights. In this sense, the BRI reflects the China development model, wherein socio-economic development is the utmost imperative for developing countries. While the BRI's openness is in line with China's contestation of liberal universalism (Chen 2016; Yang 2020), it does not directly challenge or reject liberal principles.

Second, and relatedly, the BRI emphasises respect for local rules and conditions. It "respects the paths and modes of development chosen by different countries" (V&A: §2) and stresses that the BRI should "dovetail with the development strategies of participating countries" (DWP 2021: 16). Adherence to local rules and conditions is also highlighted in the BRI's guiding principles of extensive consultation and policy coordination (V&A: §3). BRI policy documents, as well as wider development cooperation and foreign policy documents, also stress the principle of non-interference in a country's internal affairs (V&A: §2). No cooperation partner should "impose its own will on them, attach political strings, or pursue

3 The BRI's key policy pillars, priorities, and objectives are laid out in the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" (V&A), issued by the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce (2015), "Building the Belt and Road. Concept, Practice and China's Contribution" (BBRI), issued by the Office of the Leading Group for the BRI in 2017 (Office of the Leading Group for the Belt and Road Initiative 2017), BRI-particular chapters in the 13th and 14th Five-Year Plans (FYP) as well as the 2021 Development White Paper (DWP), "China's International Development Cooperation in the New Era" (State Council Information Office 2021).

political self-interest" (DWP: 6). In other words, contrary to the Washington Consensus (see Serra/Stiglitz 2008) or the Marshall Plan, China rejects any conditionality when promoting development abroad on the programmatic level, including with the BRI (Xing 2019: 11).

Beijing has sought to align the BRI with international norms and standards. At the Second High-Level Belt and Road Forum in Beijing in 2017, President Xi (2019: para. 9), in his keynote speech, called for the adoption of "widely accepted rules and standards and encourages participating companies to follow general international rules and standards in project development, operation, procurement and tendering and bidding". Meanwhile, the BRI should focus on flexible policy coordination and *pragmatic cooperation* (DWP: 18). This dualistic approach of adhering to international standards, on the one hand, and seeking to be flexible and pragmatic, on the other, reflects economic pragmatism, which has been a key pillar of the China development model manifested in the form of endorsed experimentalism (Ang 2016). The BRI conceptualises this pragmatism as the pursuit of a flexible and incremental reform, often guided by improvisation, not aimed at reaching a concrete policy model but instead fulfilling common visions of prosperity. Rather than following an "operational roadmap" (Miller 2017: 30), actors are guided by an ideal to which they promote ambiguous and possibly contradictory policies "depending on structural pressures, their interests, and the domestic as well as international political contexts" (Vangeli 2019: 76). Also, the universality of the BRI requires a much less coherent and encompassing framework for development than the China Model, as it must accommodate a wide array of local conditions (Jones 2020).

Third, the BRI promises mutual benefit, win-win cooperation, and inclusive development, producing benefits for all firms, regions, and sectors (V&A: §2). While there have been increased efforts under Xi Jinping towards actively pursuing inclusive growth via poverty reduction, China's economic development trajectory has led to large imbalances in wealth and living standards between regions, particularly between urban and rural areas (Rozelle/Hell 2020; Wang 2018). Moreover, state policy in many sectors has disproportionately benefited certain actors in the form of state subsidies, strict market entry restrictions, government procurement rules, as well as distortions in the allocation of finance. Judging by these factors, the China development model can hardly be considered as having sought "growth coupled with equal opportunities" (Rauniyar/Kanbur 2010: 455). By actively seeking to promote inclusive growth, the BRI thus differs substantially from the pre-Xi Jinping China Model on the programmatic level.

Fourth, BRI policy documents feature extensive commitments to market-led development. They state that the initiative is "designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation". The BRI is aimed at promoting "orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets" and that the initiative will abide by market rules and "give play to the decisive role of the market in resource allocation and the primary role of enterprises" (V&A: §1, 2). Furthermore, BRI documents commit China to "applying the law of the market" alongside developed countries (Office of the Leading Group for the Belt and Road Initiative 2017: 57; Jones/Hameiri 2020: 8). While the Washington Consensus-style Structural Adjustment Programmes (SAPs) are not compatible with the BRI's non-interference maxim, the BRI's five priority areas – policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds – are guided with language prioritising a deepening of economic integration, including financial and trade integration (V&A: §3; Jones 2020). This approach includes references to lowering non-tariff trade barriers, improving the transparency of technical trade matters and enhancing trade liberalisation (V&A: §3).

The so-called "decisive role" of the market in resource allocation stands in contrast to the China development model, where the state's superiority over the market is constitutionally enshrined. While undergoing gradual liberalisation, China relied heavily on state intervention in the factors of production, a selective opening of markets, strong state control over markets, and a systematic favouring of SOEs in capital-intensive industries (Huang/Wang 2017; Lardy 2019; Liu et al. 2018).

Finally, the BRI regards infrastructure as the engine for development and seeks to pursue inclusive and sustainable growth based on interconnectivity, particularly infrastructure interconnection (Dunford/Liu 2019: 148). BRI countries "should improve their regions' infrastructure and put in place a secure and efficient network of land, sea and air passages, lifting their connectivity to a higher level" (V&A: §3). While the role of infrastructure in China's domestic economic growth is contested (Huang 2016; Skidmore 2021), a major difference between the BRI and the China Model in this domain concerns the channels through which infrastructure is financed. China's domestic infrastructure has been financed by China's uniquely high saving rates, along with a massive stimulus package following the Global Financial Crisis. The BRI, by contrast, largely pursues infrastructure expansion through the acquisition of foreign debt (Skidmore 2021). In this sense, "the development path promoted through the BRI is fundamentally different from that of China itself" (Skidmore 2021: 328).

In sum, at the programmatic level, the BRI significantly diverges from the China Model. The BRI is designed to support rather than export the China Model. More specifically, BRI intends to externalise China's overcapacity, thereby proving a spatial fix for the country's internal development bottleneck (He 2020; Jiang 2020; Jones 2020; Ni et al. 2021). It also seeks to bolster China's efforts to secure access to energy sources and the raw materials it lacks domestically to secure economic growth and stability (Li et al. 2018; Mattlin/Nojonen 2015; Odgaard/Delman 2014).

Yet, the following analysis of the implementation of BRI reveals a decoupling between declared policies, on the one hand, and putting them into practice on the other. Implementing BRI policies, at least partly, introduces norms and principles of the China Model through the backdoor. It is in the rollout of the BRI that the China Model might collide with the EU's liberal approach to development.

2.3 INTRODUCING THE CHINA MODEL THROUGH THE BACKDOOR

The first decoupling between BRI's declared policy objectives and their practical implementation concerns the principles of non-conditionality and non-interference. BRI loans are not entirely devoid of conditionality (Mattlin 2021; Mattlin/Nojonen 2015; Skidmore 2021). According to Mikael Mattlin and Matti Nojonen (2015), there are four types of conditionality inherent in Chinese loans. First, *political conditionality* refers to broad political and diplomatic preconditions before loans are granted to recipient countries. Countries are asked to reaffirm their commitment to the One-China principle and the PRC as the sole legitimate government of China, which can be regarded as a political precondition for acquiring Chinese loans. Second, Chinese loans may involve *embedded conditionality* that sets out project-related demands, including the utilisation of Chinese contractors, China-sourced technology and equipment, and Chinese labour (Ghossein et al. 2021). Moreover, Chinese debt contracts include unusual confidentiality clauses, collateral arrangements including lender-controlled revenue accounts and promises to keep debt out of collective restructuring initiatives (i.e. “No Paris Club” clauses), as well as cancellation, acceleration, and stabilisation clauses (Gelpern et al. 2021). Third, *cross-conditionality* ties infrastructure loans to export guarantees on a country’s commodity exports or uses commodities directly to repay the loan (Mattlin/Nojonen 2015). Chinese banks frequently follow a Resource Financed Infrastructure (RFI) model, particularly in low-income economies (Halland et al. 2014). Further, Mattlin and Nojonen (2015: 713) also found that Chinese policy bank loans can be used as a “lever to demand actions from the recipient country in another unrelated context before loan disbursement”. Fourth, *emergent conditionality* entails the long-term possibility that a recipient country becomes “restricted in its ability to make autonomous decisions on how to develop or control its economy, or certain segments of it” (Mattlin/Nojonen 2015: 718). In this sense, despite otherwise defined policy objectives, BRI implementation follows the China Model in that *pragmatism* has worked its way into the BRI: as long as an approach is conducive to Chinese interests, it can be adopted.

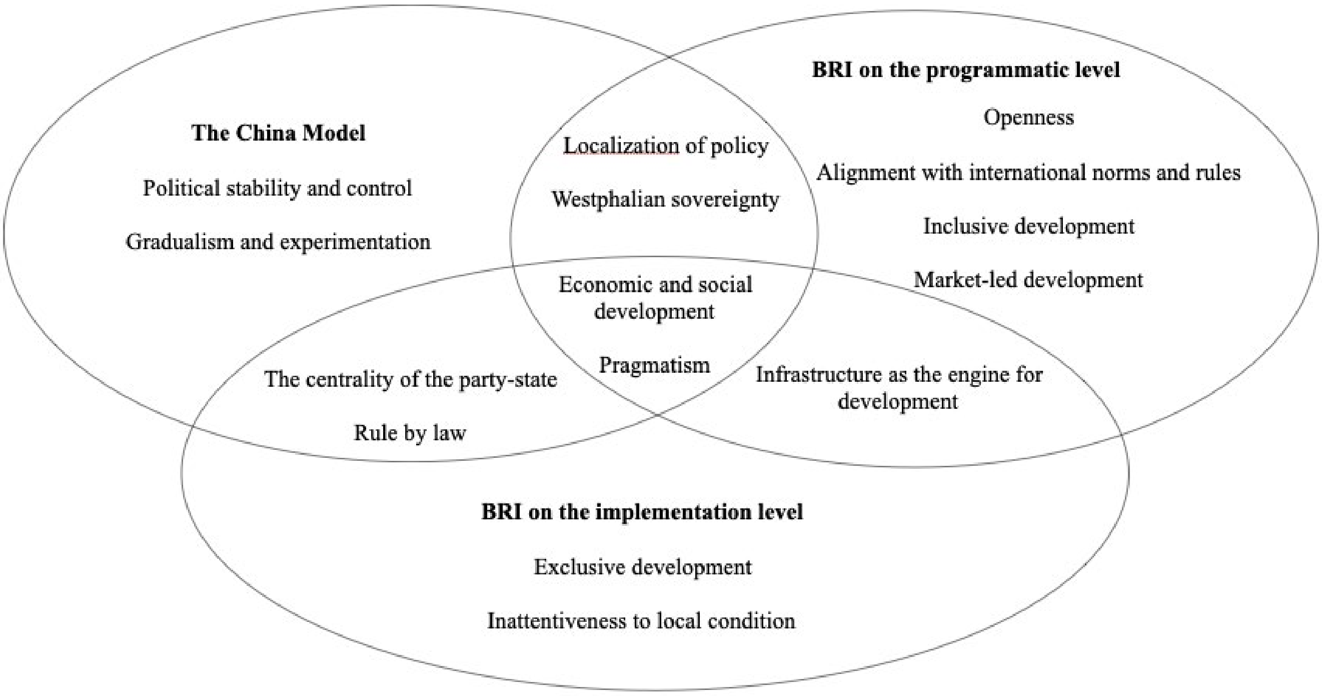
The second decoupling between the BRI policy and practice concerns markets and market-led development. The market is not always decisive in BRI’s resource allocation. Malik et al. (2021) show that the BRI has been undergoing a period of commercialisation, which has seen Chinese commercial banks playing a larger role in capital allocation. Also, China’s policy banks, which are directly mandated to execute state policy, have dominated capital-intensive infrastructure projects, with commercial banks pursuing commercial returns largely in non-infrastructure sectors (Dreher et al. 2018; Malik et al. 2021). In addition, the notion that policymakers have shown willingness to support politically driven investments, implying that “Chinese firms have different risk calculations than Western firms”, suggests a further break between the programmatic and implementation levels of the BRI (Camba 2021: 2013). BRI implementation follows the China Model in the sense that it considers infrastructure as a public good that requires strong state intervention.

The role of the Chinese party-state in rolling out BRI is corroborated by the multiple BRI-related guidelines to promote or regulate foreign investments. For example, the People’s Bank of China and six other government institutions issued the “Guidelines for Establishing the Green Financial System” (2016) partly to support green financing and investment with BRI countries. To address the problems of money laundering, asset transfer, and rent-seeking activities posed by some private enterprises, the National Development and Reform Commission and other four ministries issued “Regulations on Outbound Investment and Business Activities of Private Enterprises” (2017) to compel private actors to participate in the outbound investment in the BRI in an orderly manner, carrying out prior declarations and filing procedures in China, respecting contractual obligations, and protecting Intellectual Property Rights (IPRs).

In many ways, Chinese state actors are not only investment project designers, but also lenders and contractors with limited participation from the host country. Lee Jones and Shahar Hameiri (2020) argue that once a project is approved by the Chinese state authorities, the state-owned financial institutions directly transfer the funding to the SOEs, whose activities are later monitored and regulated, again, mainly by Chinese state institutions.

Third, in practice, the BRI is not always attentive to local conditions. For instance, Chinese government-funded projects are usually earmarked for Chinese suppliers, which often stands at odds with local procurement policies practices (Ghossein et al. 2021). The Hungarian section of the Chinese-financed Belgrade-Budapest railway, where the EU launched infringement procedures against

Figure 1: Comparing the China Model and the BRI at the programmatic and implementation levels



Hungary in 2016 for not complying with EU procurement laws, is a case in point (Kynge et al. 2017). Similarly, economic environments characterised by low saving rates and fiscal instability are not necessarily conducive to infrastructure-led development. As such, the large-scale borrowing associated with the BRI has led to potential debt servicing and sustainability concerns, particularly as projects may not generate returns sufficient to avoid debt pressures for recipient countries (Ghossein et al. 2021). For example, Stephen B. Kaplan (2016) suggests that government budget deficits increase when the share of Chinese state-to-state finance increases as a share of total external public financing. Notwithstanding the relevance of poor local governance qualities, the fact that many BRI loans are "hidden" and do not show up as public debt in national balance sheets indicates that Chinese lenders might disregard local fiscal conditions (Malik et al. 2021). Furthermore, the notion that China does not always respect or adhere to local laws indicates that China disregards whether certain laws are reasonable or not. In this sense, the BRI embodies the China Model's tenet of the *rule by* law, where laws are meant to serve the interests of ruling parties, which are sometimes at the expense of public interests.

Fourth, in practice, BRI projects often promote exclusive rather than inclusive development. While BRI host countries do possess agency in their dealings with China (Oh 2018), the conditionality embedded in Chinese loans, the notion that local economic conditions in recipient countries are not always respected, and the fact that loans are usually earmarked for Chinese contractors and thus essentially "stay within China", suggest that BRI projects often disproportionately benefit China.

In sum, the implementation of the BRI suggests that several tenets of the China development model have entered through the backdoor. From a development perspective, the BRI is designed to support rather than promote the China Model.

When rolled out, however, the BRI has taken up several fundamental tenets of the China development model without promoting it as an alternative to the liberal development script. Figure 1 summarises the comparison between the China Model, the BRI on the programmatic level, and the BRI on the implementation level. First, economic and social development, as well as pragmatism, are the core features that unite all three models. Second, contrary to what the policies say about the BRI, the centrality of China's party-state and the concept of *rule by law* underline the BRI in practice, which are also key characteristics of the China Model incompatible with the liberal script. Third, although infrastructure promotion is a salient aspect at the programmatic and implementation levels, it is not the only underpinning element of the China Model. Finally, both the China Model and BRI-related policies reject one-size-fits-all logic and conditionality but emphasise the importance of respecting local circumstances, benefitting the local society, and respecting countries' sovereignty. However, in practice, the BRI often caters to Chinese interests to the detriment of local benefits.

3 THE EU APPROACH TO INFRASTRUCTURE DEVELOPMENT

Emerging after the Second World War, the European integration project has been built around a liberal script for organising societies. The creation of the Single Market has been a major driver of the ever-closer Union the EU aspires to become. Economic liberalism and market principles, such as respecting human rights, the rule of law, democracy, and good governance, are firmly embedded in liberal political institutions. Economic and political liberalism are co-constitutive for the EU and its member states. Moreover, the EU seeks to protect and promote its liberal script by engaging with third countries (cf. Börzel/Risse 2012). Placing the liberal mission of the EU's transformative power at the beginning of our analysis would render any comparison of it with the China Model and the BRI futile. Rather than comparing apples and oranges, we focus on key features of the EU approach to development, discussing how they play out at the programmatic and implementation levels when the EU engages with developing countries and exploring to what extent they are compatible with or stand in contrast to key features of the BRI approach to development.

3.1 TRANSNATIONALISED EMBEDDED LIBERALISM

The post-1945 integration of Western Europe into the global economic system happened in a framework John Gerard Ruggie (1982) coined "embedded liberalism", which involved a compromise between the goals of free trade and the domestic control of social and economic development by democratic states. Under this regime, promoting the free movement of goods and services was combined with domestic regulation of markets, welfare policies, and national control of capital flows to mitigate potential negative consequences of economic openness and increase opportunities for inclusive development.

At the programmatic level, the concept of *inclusive development* features in the Global Gateway (GG) policy documents. The first policy document launching the initiative – the "Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank" (Joint Communication) – details that "[i]nfrastructure projects will be based on the needs of local economies/communities as well as EU own strategic interest" (European Commission 2021: 3). Furthermore, the GG also "takes into account the capacity of host countries to manage and maintain the infrastructure in a sustainable way" (European Commission 2021: 3). Emulating the framing of the BRI by the former Chinese Vice Foreign Minister as an offer to share China's development dividend with the rest of the world (He 2018: para. 20), the GG was described as a "positive offer", seeking to "deliver benefits and protections for our partners, empower local communities and tackle today's most pressing global challenges" (European Commission 2021: 1). Alluding to the problems commonly associated with Chinese development loans, the EU Commissioner for International Partnerships, Jutta Urpilainen (2021: para. 7), stressed that the GG will have "[n]o *white elephants* and no *debt traps*, but projects that are sustainable and serve the needs of local populations". In essence, the focus of the projects in the GG is on *green, smart, and inclusive investments* that seek to address common global challenges.

The EU emphasises the importance of *competition* and a level playing field for investments. At the same time, it highlights the *regulatory* role of the state, particularly when it comes to financial sustainability and digitalisation. This approach aligns with the scholarly observation that the EU promotes transnationalised embedded liberalism during the pre-accession process of the EU's Eastern Enlargement (Bruszt/Langbein 2017, 2020). To maintain sustainable finance and foster an investment-friendly environment in the host country, the EU aims to strengthen the state capacity by "[f]acilitating reforms in partner countries to establish transparent, non-discriminatory, and sustainable regulatory frameworks aligned with international standards, and building their capacity to enforce compliance with legal obligations" (European Commission 2021: 11). To prevent *white elephant* projects, the GG seeks to "enhanc[e] the capacity of partner countries to develop infrastructure plans and prepare credible pipelines of projects aligned with national development strategies and needs" (European Commission 2021: 11). In the digital realm, according to the Joint Communication, "[t]he EU will offer digital economy packages that combine infrastructure investments with country-level assistance on ensuring the protection of personal data, cybersecurity and the right to privacy, trustworthy AI, as well as fair and open digital markets" (European Commission 2021: 4). Also noteworthy is that, unlike the US-led Global Partnership for Infrastructure and Investment (GPII) with its focus on fostering private capital investment, the GG wants to mobilise private sector finance, on the one hand, and involve both the European and the Member States' national financial institutions, on the other (Conway 2022). In this sense, the EU sponsors parts of the projects, mobilising resources and coordinating policies between different players.

3.2 RULE- AND VALUE-BASED DEVELOPMENT

At the programmatic level, "Global Gateway will offer a values-based option for partner countries to choose from when deciding how to meet their infrastructure development needs. This means adhering to the rule of law, upholding high standards of human, social, and workers' rights and respecting norms from international rules and standards to intellectual property" (European Commission 2021: 3). Commissioner Urpilainen (2021: para. 13) underpinned that "[a]t heart, Global Gateway is about demonstrating how democratic values offer certainty and fairness for investors, sustainability for partners and long-term benefits for people around the world". She (Ibid: para. 6) further elaborated that "[w]hile flows in goods may be ideologically neutral, the rules which govern them are intertwined with political values. Particularly in the digital domain, Europe and other democracies must ensure that the standards of the future reflect our core values". The six main principles underlining the GG are democratic values and high standards, good governance and transparency, green and clean, equal partnerships, security-focused, and catalysing private sector investment (European Commission 2021: 3). In addition, the GG is aligned with the United Nations Agenda 2030 and the Sustainable Development Goals (SDGs), as well as the Paris Agreement.

This said, even on the programmatic level, it is unclear whether the EU applies *liberal* conditionality for countries to acquire projects, as in the case of the Copenhagen Criteria for the pre-accession countries to the EU during the Eastern Enlargement. There is no explicit requirement that countries applying for GG loans have to introduce liberal reforms.

In sum, at the programmatic level, the GG aims to foster inclusive development, attaches importance to enhancing state capacity – embodying transnationalised embedded liberalism – adheres to international standards, and promotes EU core values, norms, and principles. It is supported by a combination of EU institutions, Member States, and their respective development finance institutions. There is little indication that they apply liberal conditionality.

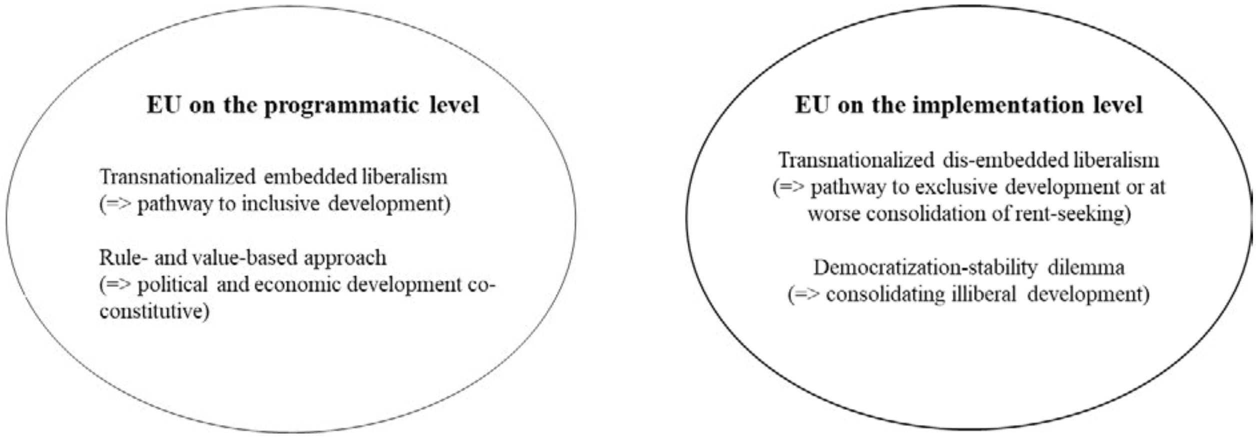
3.3 WATERING DOWN THE EU'S DEVELOPMENT SCRIPT

GG projects are organised around several issue areas, namely, digital projects, climate and energy projects, transport, health, and education and research. This focus highlights that *soft infrastructure* is deemed just as important as hard infrastructure in the GG (Conway 2022). On the one hand, for Chloe Teevan, San Bilal, Ennatu Domingo, and Alfonso Medinilla (2022: 8), one of the reasons is that infrastructure companies in a number of EU Member States are simply too small to be global competitors, and developing soft infrastructure has become a strength of the EU; on the other hand, nevertheless, Mark Furness and Niels Keijzer (2022: 1) contend that the GG does not change much, because they have observed "many thematic overlaps with existing strategic frameworks for engaging with Africa and the EU's Neighbourhood". They take note of the sense that "the Global Gateway turns back the clock to the days when the EU focussed aid spending on infrastructure and emphasised its *political neutrality*" (Furness/Keijzer 2022: 1).

While the GG aims for *inclusive development* in all partner countries, at implementation, it faces several hurdles that may increase the likelihood of *exclusive development*. First, the GG is essentially an EU geopolitical framework (Conway 2022; Furness/Keijzer 2022; Koch 2022; Teevan et al. 2022; Wu 2023), helping to assert the EU's geopolitical interests around the world. According to an EU diplomat, the GG "does not primarily serve developmental goals, but rather strategic ones" (Koch 2022). In the same vein, Furness and Keijzer (2022: 2) argue that the GG is "intended to further the EU's ambition to become a global power by harnessing its economic size and political attractiveness". The result of such self-positioning – a combination of development policy and foreign and security policy – risks confounding these objectives or motivations from these two policy areas and, thereby, "weaken[ing] EU's commitment to, and observance of, core development policy principles, especially the focus on poverty, partner country ownership, open governance and the *do no harm* principle" (Furness/Keijzer 2022: 1).

Second, when it comes to investment in autocratic regimes, Furness and Keijzer (2022: 4) observe that the GG "does not draw a clear distinction between the EU's infrastructure investments and the prestige projects of autocrats". Investing in autocratic regimes without being attentive to the domestic circumstances risks further stabilising these regimes and contributing to their survival, "be it by redistributing additional rents to strategic groups or by financing repression" (Bader/Faust 2014: 576). Making trade, investment, and assistance conditional on liberal values entails regime change and may result in political instability. In this sense, the GG faces a similar democratisation-stability dilemma as the EU faces in accession and neighbourhood countries.

Figure 2: Comparing the EU development approach on the programmatic and implementation level



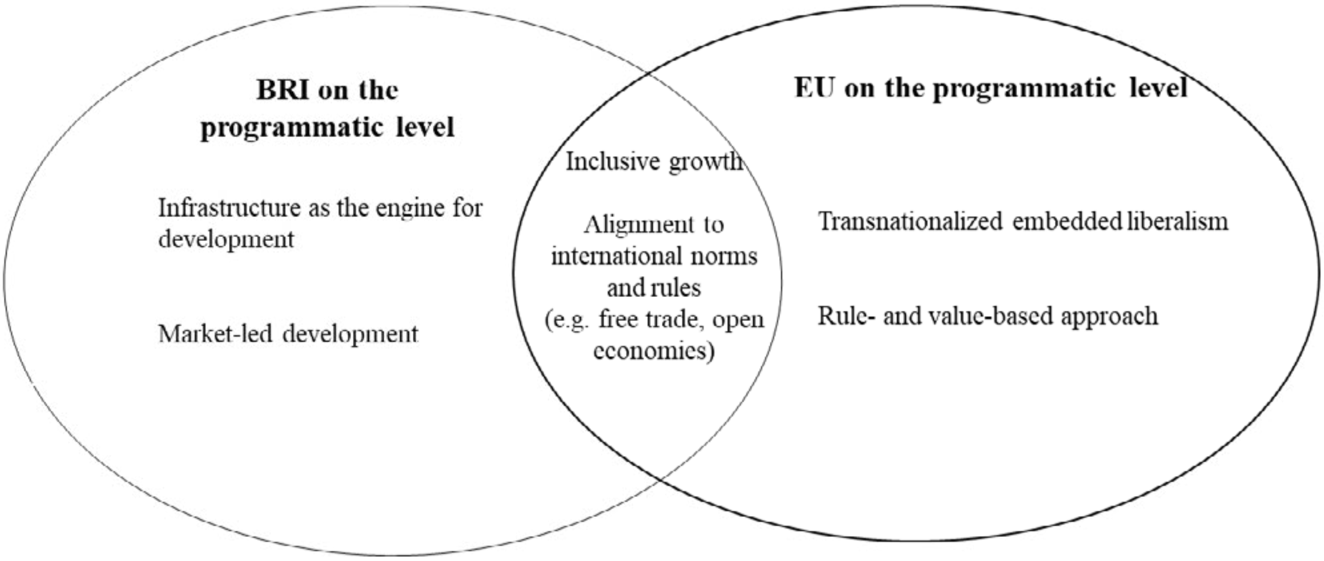
Third, in reality, it is unclear whether the GG has the financial capacity to address issues such as poverty, socio-political exclusion, and environmental degradation on an equal basis (Furness/Keijzer 2022). Each of these issue areas has a different spending target in the overall EU external budget, and "[t]he tension between these input targets and those of the Global Gateway is likely to result in coherence problems" (Furness/Keijzer 2022: 4). Furthermore, in terms of infrastructure building, it is usually the places that suffer from longstanding investment deficit that are in greater need of investments and could create the most added value. However, these areas also prove to be the most difficult in attracting private investors. Furness and Keijzer (2022: 4) explain that since the GG aims to leverage up to EUR 300 billion with only EUR 58 billion of guarantees or securities, the *inclusiveness* of investment is facing challenges because of the unattractiveness of the rough environments for private business.

There is considerable scepticism among developing countries regarding the GG's emphasis on private investors. African countries, for instance, raised concerns that high interest rates charged by private investors may deepen Africa's debt problems, leading to increased wealth loss, which, in turn, could tempt African governments to invest in new fossil-fuel projects (Teevan et al. 2022; van Gaal 2022). In this sense, transnationalised *dis-embedded liberalism* may manifest itself during the implementation process of the GG, thereby contributing to exclusive development.

Fourth, apart from involving business associations in the framework of the Business Advisory Group, "*informal contacts* with the bosses of *selected large corporations* are also planned" (Koch 2022, emphasis added). According to Teevan, Bilal, Domingo, and Medinilla (2022: 8), for the Business Advisory Group to be representative, it must "include business voices from both larger and smaller member states". Otherwise, it would only be an initiative favouring large corporations over SMEs.

In terms of liberal conditionality, finally, Teevan, Bilal, Domingo, and Medinilla (2022: 6) caution that, since the GG presents an alternative to the BRI, it may eventually "double down on a European *democratic values* discourse and a focus on regulatory alignment that may bring back echoes of stringent conditionalities". After all, countries have been drawn to the BRI exactly because they saw it as an alternative to Western projects with liberal conditionality (Mardell 2021). Figure 2 summarises the comparison between the EU development approach on the programmatic and implementation levels.

Figure 3: Comparing the BRI and EU approach to development on the programmatic level



4 COMPARING THE BRI AND THE EU APPROACH TO DEVELOPMENT

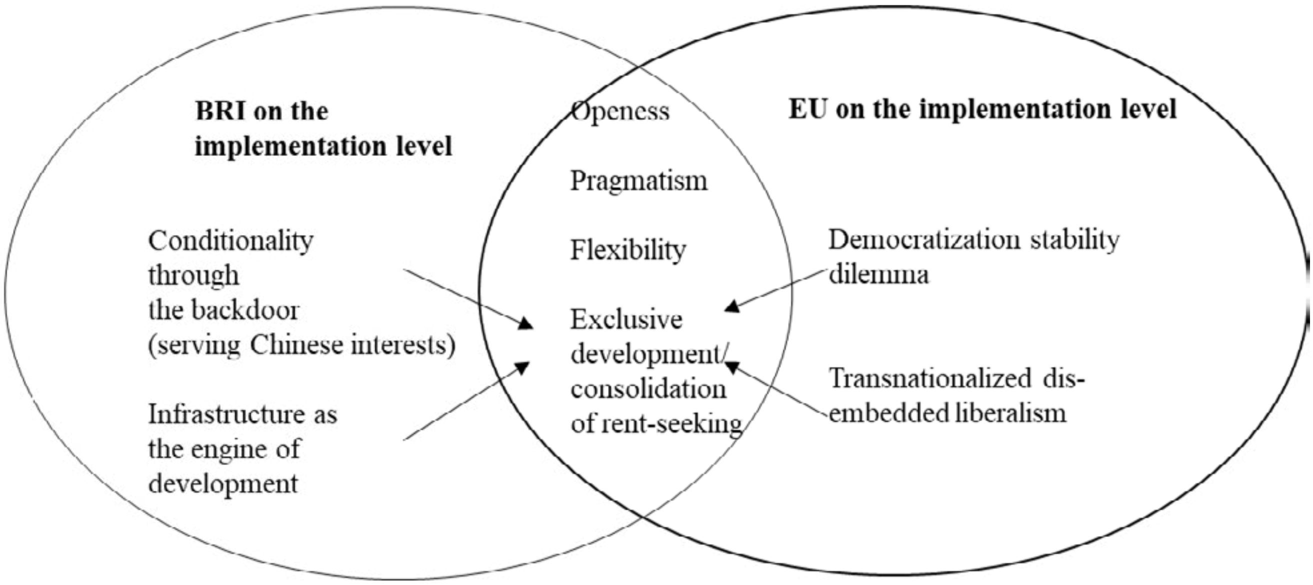
On the programmatic level, China and the EU both claim to pursue inclusive and sustainable economic growth through the BRI and the GG, respectively. They place equal importance on free trade and an open economy. Yet, the EU presents its policies towards (prospective) members as "rule-based" and "values-driven", whereas the BRI emphasises market-led development. Furthermore, the EU's transnationalised embedded liberalism is a more comprehensive and balanced script for development than the BRI, with its focus on development through infrastructure and connectivity. This difference does not necessarily mean that the two approaches have to collide in Eastern Europe, though. The commitment of the BRI to the core principles of economic liberalism, on the one hand, and its openness, flexibility, and pragmatism, on the other, can help avoid direct conflict at the programmatic level. Figure 3 summarises the comparison between the BRI and EU development approaches on the programmatic level and Figure 4 summarises this comparison on the implementation level.

At the implementation level, conditionality with Chinese characteristics renders the BRI far less open and flexible. At the same time, however, the EU does not apply liberal conditionality, paving the way towards exclusive development or – at worst – the consolidation of rent-seeking structures. Thus, the EU waters down its liberal development script considerably in the implementation phase. Political values, in particular, often get lost in putting EU development policies into practice. This practice reduces the potential for collision with the BRI.

5 CONCLUSION

The rise of China as a global power is based on a model of development that is at odds with the liberal script of democracy and market capitalism that Western countries have been following. Not surprisingly, the BRI is often seen as part of China's attempt to change global power relations by projecting its development script onto other countries through the BRI. After all, this is what the US and the EU have been doing with their development policies for decades. This paper shows

Figure 4: Comparing the BRI and EU approach to development on the implementation level



that a collision of scripts is not a foregone conclusion. First, at the programmatic level, the BRI intends to support the China Model at home rather than exporting it abroad. Moreover, like the EU, China claims to pursue inclusive and sustainable economic growth. Both equally subscribe to global free trade and an open world economy. Second, implementing the BRI introduces the China Model through the backdoor by making trade and investment conditional on certain political norms and principles. Conditionality with Chinese characteristics creates the potential for serious conflict with the EU's strict liberal conditionality. However, implementing EU policies is characterised by similar pragmatism, flexibility, and openness, which the BRI claims are among its trademarks at the programmatic level. Democracy and the rule of law get largely lost in implementing the EU's values-driven and rule-based script.

Economically, the development scripts of China's BRI and the EU are mostly compatible because both subscribe to economic liberalism, and the EU is moving away from transnationalised embedded liberalism.

These findings have important implications for the future of the liberal order. To the extent that China is advancing an alternative script for organising societies, it is unlikely to directly collide with the liberal script promoted and protected by Western countries. At the global level, China has made sure that the BRI is compatible with economic liberalism, from which it has greatly benefitted in its rise and on which, arguably, the survival of its regime depends. At the domestic level, the BRI is likely to support authoritarian and corrupt regimes, but so does the EU's unwillingness to follow through with its values- and rule-based approach. As a result, however, the legitimacy of both scripts suffers as neither delivers on its promises – peace and prosperity through inclusive growth.

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