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UNDERSTANDING AND REACTING TO THE BELT AND ROAD INITIATIVE: A NEW COLD WAR FOR THE DEVELOPING WORLD

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ABSTRACT

Particularly since the People's Republic of China (PRC) launched its Belt and Road Initiative (BRI) in 2013, the strategic competition between the US and the PRC for economic opportunities and political influence in the developing world has been compared to US and Soviet Union competition for the "Third World" during the Cold War. This essay contends that even while the form and setting of strategic competition now are very different from those of the second half of the 20th century, there are still many lessons to be learned from the US grand strategy of containment. The Soviet Union's (USSR) motivations, which included the need to protect against external dangers and preserve domestic legitimacy of the regime, were comparable to those driving Chinese behaviour. The PRC's ability to maintain rising living standards for the Chinese populace is a key factor in its legitimacy. The PRC does not, however, think that time is on its favour given the mounting demographic and economic restrictions. Therefore, before these restrictions become mandatory, BRI's strategic economic goals entail taking on more financial risk in exchange for the possibility of bigger and speedier profits. Common misunderstandings about PRC aims are dispelled when it is realised that profitability is the BRI's primary goal. The study comes to the conclusion that the US and its allies should (1) clearly define which PRC practises they are trying to contain; (2) respond by offering foreign assistance to developing countries that links more strongly to US economic interests; and (3) more actively incentivize commitment to liberal democratic values and sound development practises rather than by trying to match BRI spending symmetrically.

"It's no longer arguable that the United States and China, tacit partners throughout the last half of the last Cold War, are beginning their own new cold war," assert Hal Brands and John Lewis Gaddis, two of the greatest academics on the Cold War and American grand strategy. There are clear distinctions between the Cold War and the current deterioration of diplomatic ties between the United States and the People's Republic of China (PRC), which started about 2013. The degree of economic integration between the two nations, each of which is the other's top trading partner with significant bilateral direct investment, is the difference that stands out the most clearly. Even in 1990, American trade with the Soviet Union was insignificant in comparison to that of the United States with Western Europe and other non-communist bloc nations.

The PRC and the US's growing desire for political and economic sway in the developing world, however, draws a strong comparison to Cold War rivalry. Throughout the Cold War, the United States and its allies fought for influence in the nations of the "Third World" and the Non-Aligned Movement. Each side provided financial and military support, usually with conditions related to politics. In emerging nations like Africa, Asia, and to a lesser extent Latin America, the PRC has become a significant political and economic rival to the United States. Given that, excluding China, 65 percent of the world's population currently resides in these regions and that, over the next 30 years, almost all population growth will occur in these low- and middle-income countries, with the population of sub-Saharan Africa expected to nearly double by 2050, this competition could develop into a serious threat.

Beijing sees closer economic ties with Eurasia and Africa as an essential part of the PRC's bigger plan to keep the pace of development and project political influence through economic force. Beijing sees itself as a "developmental state," and its political and economic objectives are intertwined, according to the PRC. Therefore, the legitimacy and viability of the Chinese Communist Party depend on continued economic growth, improved living standards in China, and the capacity to appease growing nationalist feeling by projecting more authority abroad, in large part due to the size of the Chinese market (CCP).

The PRC's development objectives, however, are becoming more and more difficult to realise due to new economic and demographic realities. In light of these limitations that will have an impact on China's development and ultimately the CCP's legitimacy, the Belt and Road Initiative (BRI) of the PRC must be interpreted as a strategy of increasing financial risk acceptance in the hopes of attaining larger returns.

While acknowledging the limitations of historical comparisons, this article seeks to extract lessons from the Cold War and apply them to the contemporary strategic struggle for economic and political dominance in developing nations. It examines the BRI's influence on Chinese state-led foreign investment and its economic and political-strategic drivers. In addition, given the overall lack of governmental capacity and the high risks that continue to discourage private investment in many developing countries, the study evaluates rising debt levels in emerging nations, the Chinese model of development, and the expected returns from BRI investments. The article then examines the appropriate US strategic response to BRI, making the case that certain lessons from the US Cold War containment strategy apply. These lessons include the significance of defining what should be contained, concentrating on strong points of strategic interest rather than attempting to match Chinese foreign investment dollar for dollar, and having self-confidence in the superiority of the US development model. Last but not least, the paper looks at what would make US foreign assistance more strategic and consistent, keeping in mind the ideas that underlie the Marshall Plan's goal of limiting Soviet influence.

THE ORIGINS OF CHINESE BEHAVIOUR

In order to construct a US response to the rising Soviet challenges, George Kennan, one of the architects of US Cold War strategy, thought that understanding the Soviet leadership and their underlying motivations was crucial.

" Since Kennan was working at the US Embassy in Moscow at the time, "The Sources of Soviet Conduct" was first published in the July 1947 issue of Foreign Affairs magazine under the pseudonym "X." The piece, which built on his private "long telegram" to Department of State officials in Washington, coined the word "containment" and established the groundwork for a programme that would guide US foreign policy for decades. The article's strength stemmed from Kennan's understanding that, in order to respond to the Soviet Union's growing threat, US policymakers needed to first comprehend how the Soviet leadership saw the world. Understanding that the legitimacy and continuation of the Communist Party regime served as the cornerstone of Soviet behaviour served as the beginning point. He then used this knowledge to develop ideas and offer advice to US foreign policy decision-makers, which was occasionally adopted and other times rejected.

Similar to that method, this article uses strategic empathy to analyse the dynamics around the CCP and PRC's objectives for the BRI in the context of five categories. The BRI, which is just one element of a bigger PRC plan to maintain rapid economic growth in order to avoid the middle-income trap as a crucial source of CCP regime legitimacy, is also reviewed along with its fundamental drivers.

CHINESE COMPANIES SHOULD TAKE THE LEAD IN GLOBAL VALUE CHAINS TO AVOID FALLING INTO THE MIDDLE-INCOME TRAP

The CCP sees rising living standards as the foundation of its legitimacy, while the PRC sees sustained economic growth as essential to maintaining its security. China's collective identity is shaped by the recent poverty, starvation, subjection, and cultural exploitation it has experienced at the hands of foreign powers. Similarities to the significant "feeling of insecurity" Kennan identified among the Soviets can be seen in this situation. Russia had recently been humiliated in the Sino-Japanese War, forced to leave World War I after suffering terrible losses, and had suffered an invasion from another country and significant defeat in World War II.The CCP feels that its situation is still precarious because if economic growth slows down, it will lose its main source of ability to exert influence and uphold the legitimacy of its one-party system.

The CCP regime's main concern is that it will fall into a "middle-income trap." If the nation is unable to make the transition to more knowledge-intensive and higher-productivity industries, rising wages will eventually make existing labor-intensive industries and exports less competitive. This will slow growth. The CCP government is well aware of how challenging and uncommon such transitions are. Being an active participant in global value chains to export low-value items while steadily increasing the share of domestic technology and human capital in production to establish lead firms has shown to be the most effective strategy for achieving the transition, particularly in East Asia.

The PRC Introduced the Made in China 2025 plan in 2015 to carry out such a strategy. By minimising reliance on foreign intellectual property, enhancing human capital, and incorporating more domestically developed science and technology into production, the plan was explicitly intended to move Chinese enterprises into higher value-added manufacturing. Electric vehicles, information technology (IT), shipping, aircraft and aviation, pharmaceuticals and medical equipment, telecommunications, sophisticated robotics, and artificial intelligence are important industries that are currently receiving targeted public investment.

Therefore, the BRI is an essential part of Made in China 2025 and the CCP's bigger goals to advance Chinese companies to the top of certain global value chains and escape a middle-income trap. This is due to China's growing reliance on imports of intermediate goods and services, as well as raw resources, to support its own production objectives. China aims to transform lower-income and lower-wage nations into a source of supply of the inputs required to overcome such shortages and provide Chinese enterprises the ability to control more global value chains through the BRI, which increases connectivity and lowers transportation and transaction costs. If the BRI is effective, it will enable China to play the same role in the developing world that Western and other developed country businesses have been doing in China for many years.

CHINA'S OVERCAPACITY IN A SECTOR

Through its communist ideological commitment to state-led public investment as a driver of industrialization and growth, the early Soviet economy experienced notable early triumphs.

As the Soviet Union's primary source of domestic revenue, Moscow primarily relied on its vast supply and reserves of oil and gas to fund that investment. The PRC still substantially relies on state-led investment despite being significantly more open to the private sector and local policy experimentation than the USSR ever was. Beijing also argues that in order to remedy market imperfections and maintain economic growth, significant state involvement is required. However, given China's relative paucity of natural resources, the PRC had to increase domestic savings sources in order to carry out China's public investment plans.

Therefore, Beijing's primary economic development strategy has been to encourage high rates of saving and investment in order to match the PRC's rapid economic growth. High savings rates made it possible to make significant infrastructure investments in China, which in turn increased productivity—the key factor in economic growth. However, the returns on additional infrastructure expenditures in China have significantly decreased, and as a result, there are fewer chances for additional state-led domestic spending. The PRC is still attempting to boost consumption as a potential engine of future growth, but so far its progress has been modest. The PRC also discovered that it has a sizable inventory of low-yielding US Treasury bonds that might be earning more money elsewhere.

The misallocation of Investment, which causes overcapacity and declining returns in a number of Chinese economy sectors, is another effect of this development strategy. Through the 2000s and at least through the end of the 2010s, Beijing generously subsidised China's steel, paper, auto part, and solar panel industries before publicly saying the government will scale back this support to address overcapacity. China has recently been under fire for allegedly actively subsidising industries in high-tech, including semiconductors, electric batteries and automobiles, and robotics.

Although the subsidies given to these sectors can and have given China some competitive advantages, they are increasingly criticised for being a source of low productivity, and the profitability they bring—such as the case of return on equity in Chinese state-owned enterprises (SOEs)—fell by half in the 2010s. Institutional flaws, safeguards for SOEs against market forces, and ingrained bureaucratic interests have all played a role in the relatively delayed adoption of change. The International Monetary Fund (IMF) claims that although extraordinary financial support measures taken in response to the COVID-19 pandemic helped prevent a potential credit crunch, they also contributed to a further rise in already extremely high corporate debt and aggravated pre-existing structural issues by extending the economic lives of non-viable and low-productivity firms, including SOEs, particularly in capital-intensive sectors with overcapacity.

When defining the Soviet state-led economy, Kennan said that "particular aspects of economic life, such as the metallurgical and machine industries, [that] have been pushed out of all proportion to other sectors of the economy." The BRI is frequently seen as a means of assisting with the problem of PRC capital misallocation. The BRI "also assists China's state-owned businesses (SOEs) find profitable applications for their excess capacity in the cement, steel, and construction sectors, as well as offering investment opportunities for China's enormous savings reserve," according to the US Department of Defense. The majority of BRI loans are in dollars, with little over 10% in euros and renminbi, reflecting the PRC's excessive amassing of dollar reserves.

ALLIANCE DEVELOPMENT IN SUPPORT OF PRC POLICY PRIORITIES

As rival formal alliance blocs (such as NATO and the Warsaw Pact) during the Cold War, the United States and the Soviet Union fought bitterly for political sway in the majority-developing nations of the Non-Aligned Movement. Local leaders in the majority of developing nations prefer to keep excellent relations with both the PRC and the US over choosing between them given the high level of economic interdependence they already have with both nations.

However, the PRC is largely utilising the BRI to project economic might while also exploiting its economic clout. Beijing's goal is to strengthen connections with the PRC's expanding network of friendly governments, including Pakistan, Iran, and Russia, as well as numerous African and developing Asian nations. By 2020, the PRC still had "strategic alliances" with 67 states, most of which relied on financial aid and business collaboration. Beijing has enhanced China's international reputation in addition to the BRI and economic involvement through greater diplomatic engagement, student and professional exchanges, and the establishment of official event platforms like the Forum on China-Africa Cooperation.

The PRC aims to make China the undeniable economic centre of the greater Eurasian continent by raising its share of value-added in production and establishing more Chinese multinational enterprises as the lead firms in global value chains through the BRI. One could argue that this arrangement reflects the "tribute system" that prevailed in East Asia from 1368 to 1841. The tribute system was a system of political, economic, and cultural hierarchy in which China was seen as the regional hegemon and other, weaker neighbouring nations were required to kowtow to it in exchange for privileges such as access to the sizable Chinese market. By addressing the already-present and escalating nationalist feelings in Chinese society, regaining what many Chinese believe to be their historical proper place at the top of the regional, and possibly even international, hierarchy will strengthen the CCP regime's legitimacy. Additionally, it would be successful in enhancing China's influence in politics, diplomacy, and the military.

Strengthening international standards of "non-interference" in domestic affairs is a major goal of the PRC and other emerging nations, especially nondemocracies. Also at the top of the list are support for the "One China" policy and

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Taiwan's diplomatic isolation. Beijing aims to stifle criticism of the PRC's domestic policies, including censorship, the repression of dissent, the crackdown on democracy in Hong Kong, and China's actions in the Xinjiang region, where it has been charged with violating human rights. In the end, the PRC aspires to have its strategic allies assist Beijing in its efforts to alter international organisations like the United Nations to better serve Chinese interests. The PRC thinks that Western, wealthy countries built international organisations and that they primarily serve their interests. Beijing is creating the PRC's own network to influence international norms by persuading other developing nations to accept this narrative.

UNDERSTANDING THE BELT AND ROAD INITIATIVE

The Soviet Union provided economic aid to emerging nations, which severely alarmed the United States and its allies during the Cold War. Numerous Western observers thought that such aid was politicised and eventually a disruptive and corrupting factor in these nations. The US Agency for International Development (USAID), which at the time had close ties to the Central Intelligence Agency (CIA), was one organisation that the Soviet Union held in the same regard. As mentioned above, China's BRI goals are largely economic, but they also take security and politics into account. This section expands on the previous analysis for comprehending what the BRI intends to achieve and what can be anticipated to achieve toward those grand strategic motivations in three parts around common criticisms of the BRI:

(1) That it intentionally places developing nations in debt that they cannot afford;
(2) That it seeks to export Chinese development ideology; and
(3) That it is an example of a successful grand strategy that considers the long term.Each assertion has some validity, but the reality is more complex, according to this section of the argument.

NUMEROUS DEBTS ARE BEING CREATED BY BRI LENDING, BUT THIS IS NOT "DEBT-TRAP DIPLOMACY"

The West provided discounted loans as part of a system of carrots during the Cold War to prevent these nations from joining the Communist bloc as the United States and the Soviet Union competed for control over the developing world. Moscow made loans as well, but with much less available resources. The developing world's first significant debt wave, which lasted from the early 1970s to the late 1980s, caused the early 1980s Latin American debt crisis and, subsequently, the 1996 World Bank and IMF-launched Heavily Indebted Poor Countries (HIPC) Initiative for debt reduction, mainly in Africa. There was general agreement that during this time, Western donors and institutions, like the World Bank, went too far. Similar to this, there is growing worry that the PRC is making the same errors, mostly because of the BRI.

China became the largest bilateral lender to the developing world at the turn of the century, making up over 65 percent of all official bilateral financing by 2018. The combined debt of low- and middle-income nations to China, according to the World Bank, was $170 billion by the end of 2020, more than three times the equivalent amount in 2011. Since over 70% of this debt is not owed directly to governments but rather through local SOEs and some private-sector firms, it is difficult to measure and is not publicly disclosed. 42 nations currently have public debt exposure to China that exceeds 10% of their GDP, according to one assessment. This level of debt was comparable to the multilateral debt owed to the World Bank by developing nations. Nevertheless, even while the majority of PRC lending includes a grant element that averaged 28.4% during the years 2000 to 2017, this is much less than the average grant portion of OECD-DAC lending institutions, which stands at 64%.

There have been accusations that China is engaging in "debt-trap diplomacy," whereby "the creditor country is said to extend excessive credit to a debtor country to extract economic or political concessions once the debtor country becomes unable to meet its repayment obligations." This accusation stems from the growing debt distress in the developing world and the significant role that the PRC and the BRI have played. The Sri Lankan Port of Hambantota is the illustration that is most frequently used to support this claim. However, it appears that the Hambantota Port is the only instance of this kind that might be seen as a Chinese quasi-seizure of a distressed asset in a debt-for-equity swap. Few PRC loans are supported by actual infrastructure; instead, more than 60% of them are secured by liquid assets, insurance, or official credit guarantees. Institutions run by the PRC government have a heightened sensitivity to risk. Additionally, PRC loans was considerably more likely to have collateral in nations with a high risk of corruption and fiduciary failure.

STRATEGIC ECONOMIC ADVANTAGES/DISADVANTAGES FROM BRI INVESTMENTS

Both the Soviets and the Chinese believed that throughout the Cold War there was a common goal among "third world" nations to be freed from Western influences and advance toward communism, which led to a natural alignment. "This idea of cooperation was wrong on both counts," asserts Stephen Walt, quoting Alvin Z. Rubinstein (1990), "which helps explain why Soviet efforts to acquire influence in the developing world66 were expensive and failed." The PRC sees itself as an integral member of the developing world, the most influential developing country, and a champion of their interests. Given this presumptive convergence of interests, Beijing presumably believes that the PRC can manage the financial and political risks associated with BRI projects more effectively, providing larger returns.

The PRC expects significant economic advantages from BRI investments, and these investments are paying off in a number of different industries. In order to maintain prosperity, the emerging nations of Asia would need to invest $26 trillion in infrastructure between 2016 and 2030, according to the Asian Development Bank (ADB). Natural barriers significantly raise the costs of commerce and investment in the BRI corridor region, which has endured years of underinvestment. Greater connectivity with Central Asia will benefit China's lower-income western provinces more than the rest of the country, in line with the PRC's stated goals of eradicating poverty and "backwardness" in these regions. Beijing also presumably feels that rising wages in Tibet and Xinjiang, which have long been the focus of foreign criticism of the PRC, could ease antiregime sentiment there.

The BRI "may help re-orient a significant portion of the global economy toward China if effectively implemented," according to the Center for Strategic and International Studies. This may give China more influence over the laws and customs governing the region's economic activities. In fact, the PRC currently has an outsized influence on a number of important supply chains, particularly those involving key minerals. For instance, the PRC now has extensive control over ports, IT infrastructure, and satellites in a number of BRI nations, providing important business advantages. Naval access agreements that could restrict foreign access to these ports and erect obstacles to market entry could result from contracts with Chinese companies to operate port facilities.

Through the BRI's Digital Silk Road component, Chinese technical standards are becoming more widely used, notably in the telecommunications industry, giving China a considerable competitive edge. The "China Standards 2035" initiative, which Beijing is attempting to use the PRC's influence through BRI investments to create IT networks that depend on Chinese digital infrastructure, is in addition to the "Made in China 2025" initiative. This initiative is less well-known, but may be more significant, than Made in China 2025. Due to a lower baseline of Internet connectivity and rapidly expanding populations, the growth in bandwidth demand will be largest in Africa and developing Asia until 2050. By 2021, the Chinese tech firm Huawei has constructed 70% of the continent's 4G networks. The higher China's market share in these areas, the easier it will be for Beijing to force these nations to rely just on one supplier. In addition to telecommunications, standards also support cloud computing, artificial intelligence, and modern physical infrastructure like high-speed rail. Digital infrastructure, which relies on globally competitive suppliers, is disciplined by the market to a much higher level than traditional physical infrastructure via the BRI.

While it is generally acknowledged that the BRI corridor countries need significant extra funding to modernise their infrastructure, comparatively subpar infrastructure is more of a symptom than a root cause of greater regional connectivity problems. Increased private investment is generally hindered by project supply issues rather than a lack of demand or funding. Despite the fact that sovereign wealth funds and private investors have invested trillions of dollars in recent years in search of higher rates of return, "regulation, hazards, and cross-border investment regulations typically limit investor appetite for infrastructure projects" in developing nations. The majority of lower-income nations continue to struggle with racial tensions, weak governance, and widespread corruption, which amplify financial risks and discourage investment. 60 percent of BRI member nations have sovereign debt ratings that are categorised as "junk" or have no ratings at all.

Private sector foreign direct investment (FDI) in developing countries has been declining since the global financial crisis (2007–2008), and it further decreased by 42% after the COVID-19 epidemic. Because private FDI continues to yield poorer returns than investment in high-income nations, it is expected that private FDI levels in developing nations will remain low. Between 2016 and 2018, the rate of return on the total stock of Chinese FDI invested abroad was only roughly estimated to be 3.4 percent, which is significantly less than the 5.9 percent rate enjoyed by foreign investors in China. This led some to draw the conclusion that "On the whole, China still borrows expensive money and loans it out cheaply."

Estimates of the BRI's specific global advantages are also not very encouraging. For BRI corridor economies, the World Bank predicted that the decrease in trade costs from full BRI implementation will increase corridor trade by only 2.8 to 9.7 percent. The same analysis discovered that enhancements to soft infrastructure, such as carrying out measures to lessen border waits and liberalising trade, might result in far higher gains. This finding is consistent with the history of multilateral development efforts since the World Bank was established in the 1940s, when it was once thought that poor countries could simply accelerate growth by increasing their stock of capital, largely by investing in infrastructure. This theory was disproved decades ago since research has shown that human capital, effective policies, and strong governance institutions play a more crucial role in long-term economic growth.

State-owned development banks in the PRC are becoming more exposed to their present liabilities, especially given that the majority of BRI nations in Africa are currently experiencing or at high risk of experiencing debt trouble. Liabilities to foreign SOEs and the private sector, in addition to debt to sovereign borrowers, are typically not acknowledged, although until 2019, they were expected to exceed $385 billion, or 45% of the PRC's total official financial commitments under the BRI. According to the same report, "significant execution challenges, including as corruption scandals, labour violations, environmental dangers, and public protests, have been encountered by 35% of the BRI infrastructure project portfolio." A BRI infrastructure project was predicted to take 36 percent longer to implement than a comparable non-BRI project, which

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would also mean higher costs and risks. According to another estimate, there were 185 "troubled transactions" worth $82 billion, or 25% of China's total BRI investments from 2013 to June 2021. According to estimates made by PRC officials in June 2020, the COVID-19 epidemic "seriously harmed" 20% of BRI projects, while 30–40% were "slightly affected."

Early Chinese domestic development initiatives were successful in large part due to public investment made through SOEs. Decentralization and incentives offered by the regime to local governments to experiment and scale up what worked contributed significantly to the process's success. However, the BRI is entirely controlled by the central government and driven by the interests of sizable, politically influential SOE construction firms like China National Machinery Industry Corporation (Sinomach), with implicit central government guarantees against losses, undoubtedly leading to moral hazard issues. According to the IMF, Chinese SOEs are on average 20% less productive than Chinese private-sector businesses operating in the same industry. The (PRC) party-state "lacks the competence essential to analyse complete vulnerabilities in most (BRI) participating countries," according to US Department of Defense study.

In addition to financial threats, political hazards are rising. The PRC's opaque investments have been used as a political weapon against incumbent governments in many BRI participating countries, including Myanmar, Malaysia, Sri Lanka, Cambodia, and even Pakistan. Oftentimes, this has been done with great success. In response to these demands, the conditions of numerous BRI projects have been modified, and the PRC was a participant in the G20's Debt Service Suspension Initiative.

The decline in funding by the China Development Bank (CDB) and the Export-Import Bank (China Ex-IM) for the BRI from $75 billion in 2016 to just $4 billion in 2019—before the start of the COVID-19 pandemic—must be largely attributable to these accumulating risks and poorer realisation of rewards. At the height of lending in 2016, CDB and China Ex-combined Im's loan portfolio totaled $700 billion, surpassing the balance sheets of all six major multilateral development banks. From an average of more than $40 billion annually from 2016 to 2019, new BRI investment projects decreased to barely $20 billion in 2020, and between January and June of 2021, they were anticipated to be worth only $8.5 billion.

It appears Improbable that the PRC is engaging in "the long game" and making methodical, deliberate investments. Instead, Beijing appears to be taking on greater risks through the BRI in the short term with the expectation of receiving disproportionately large returns in order to keep China's economic growth momentum, which supports the legitimacy of the CCP government. While China is attempting to maximise its power through the BRI, John Lewis Gadis and Hal Brands advise caution given historical context: "China may end up creating, through its relationships with insecure and unstable regimes, just the sort of inverse dependency that perplexed the Cold War superpowers." That might be a recipe for unpredictability because history is rife with examples of how smaller actors have drawn in more powerful players. This knowledge of the BRI's position is taken into account in the following section, which also provides suggestions for a clear US strategic reaction.

CONCLUSION

Economic mismanagement is the main reason why great countries have fallen. In essence, the Soviet Union got bankrupt, which led to its collapse. After careful research into the breakdown of communism at the end of the Cold War, Deng Xiaoping came to the conclusion that economic management was essential to the legitimacy and survival of the CCP. He thought Mikhail Gorbachev had made the error of opening the Soviet Union politically before implementing the necessary economic reforms. The PRC's identity as a developing state dependent on preserving rising living standards for the Chinese people—yet without the need to engage in any unneeded political liberalization—was further constructed by drawing these lessons from the fall of the Soviet Union.

In this context, the BRI must be understood. The PRC is forced to accept riskier investments in search of higher returns necessary to help preserve the economic growth that underpins the CCP legitimacy due to impending demographic pressures, rising public and private debt, and the inherent difficulty of making the transition from middle-income to upper-income status. Early in 2022, the BRI appeared to be in serious jeopardy as dangers brought on by local and international economic developments added to initial political and financial problems. The COVID-19 epidemic was still present, and it appeared that the PRC's borders would remain shut for the rest of the year, making it more difficult to make new investments and putting those that had already been made at risk. The cost of servicing the debt burdens of developing countries, especially BRI projects that are virtually entirely denominated in dollars, will increase due to increases in interest rates set by the US Federal Reserve as a result of inflationary pressures in the US.

The Marshall Plan was the first non-military strategic action taken in the early Cold War era to confront the communist threat posed to Western Europe. The Marshall Plan was heavily influenced by George Kennan, who thought it would be a wise strategic reaction to the severe financial situation in Western Europe because "economic maladjustment… leaves European society subject to exploitation by any totalitarian groups." The BRI shows how poor economic management still leaves the United States with strategic vulnerabilities in the developing countries. It is commonly believed that the Marshall Plan was successful in preventing a regional economic collapse that would have compromised US foreign policy goals in the early postwar years. It achieved success specifically because it intentionally attempted to advance US foreign policy goals through unambiguous guiding principles.

When working on the creation of the Marshall Plan, Will Clayton, the then-Undersecretary of State for Economic Affairs, said, “Let us recognise straight off that our purpose has as its background the demands and interests of the people of the United States. We need markets, large markets, in which to purchase and sell; the Marshall Plan was, in other words, foreign policy for the middle class, decades ahead of its time. Assistance must “come as a joint request… not as a series of isolated and individual appeals,” meaning local ownership must exist and assistance must not be ad hoc. The initiative for assistance “must come from Europe, the programme must be evolved in Europe, and the Europeans must bear the basic responsibility for it.” The Marshall Plan's ultimate goal was to allow the "major European countries to subsist without charity," which required a defined departure strategy for any foreign aid provided as part of the plan.

Modern US foreign aid programmes usually lack such unambiguous strategic aims. All too frequently, such initiatives lack significant ties to US economic interests, are ad hoc, lack local ownership, are poorly integrated with broader foreign policy goals, and lack clear graduation expectations. These problems pose important concerns about how these programmes fit into the overall US grand strategy.

Even though reconstruction is a very different endeavour from development, properly applied historical lessons can provide insightful guidance for adaptation. The best response to the PRC’s BRI is US foreign assistance that is more strategically targeted, rewards partner government commitment to policies that have been shown to produce positive results, strengthens commercial ties with US businesses while benefiting US consumers, and is consistent with American values.

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