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New risks of interdependence in shifting world order

Developing a sustainable risk framework for the Belt and Road

Doctoral School of International Relations and Political Science

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Doctoral dissertation

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List of Abbreviations

ADB	Asian Development Bank
AI	Artificial Intelligence
AiIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
BRICS	Brazil, Russia, India, China, South Africa
BRI	Belt and Road Initiative
CCCC	China Communications Construction Company
CDB	China Development Bank
CICIR	China Institutes of Contemporary International Relations
CITIC	China International Trust Investment Corporation
COP26	26 th Council of the Parties to the UN Framework Convention on Climate Change
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership
EBRD	European Bank for Reconstruction and Development
EaDB	Eurasian Development Bank
EEU	Eurasian Economic Union
EIB	European Investment Bank
ESCAP	(UN) Economic and Social Commission for Asia and the Pacific
ESG	Economic, Social and Governance
EU	European Union
EXIM	Export Import (Bank)
GCF	Green Climate Fund
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation (EU)
GNI	Gross National Income
IDA	International Development Association
IDB	Inter-American Development Bank
IEC	International Electrotechnical Commission
IFRRO	International Federation of Reproduction Rights Organisations
IMF	International Monetary Fund
ISO	International Standardization Organization
ITU	International Telecommunications Union
MEE	Ministry of Ecology and Environment (China)
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs of the People's Republic of China
MOFCOM	Ministry of Commerce (China)
MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organisation
NDB	New Development Bank
NDRC	National Development and Reform Commission (China)
NIS	Network and Information Systems
NLD	National League for Democracy (Myanmar)
OECD	Organisation of Economic Cooperation and Development
O-RAN	Open Radio Access Networks
PLAN	People's Liberation Army Navy (China)
RAN	Radio Access Network
RCEP	Regional Comprehensive Economic Partnership
RMB	Renminbi (Chinese yuan)
SCO	Shanghai Cooperation Organization
SEZ	Special Economic Zone
SWIFT	Society for Worldwide Interbank Financial Telecommunications
UK	United Kingdom
UN	United Nations
US	United States of America
WTO	World Trade Organization

Abstract

After decades of growing complex global interdependence, a new discourse of geopolitical contest has replaced optimism about globalization and international cooperation, generating fears of a splintering international system, confrontation and conflict. The likely future role of China is at the centre of this discourse. China is meanwhile developing new forms of interdependence, constructing new trans-regional institutions, platforms and projects, for which the Belt and Road Initiative is one overarching geo-economic framework. Chinese opinion leaders represent this as a contribution to global governance and development, simultaneously pursuing the national interests of a rising power as well as partner interests. The reaction of the US and its allies to China's new interdependence projects has been primarily normative and geopolitical, pursuing strategic competition with China and suspicious of China's international actions as destabilizing to world order. In this new era of uncertainty and change, risks abound. In the evolving new order, zero-sum, binary geopolitical frameworks tend to catastrophize risks, constructing each point of connectivity as a security threat, while positive-sum, geo-economic interdependence frameworks are considered to underestimate risks. Both approaches create paradoxes for a wide range of actors seeking to benefit from and manage risks and opportunities in interdependence with both China and the US. In this research, a political risk approach is taken including three diverse case studies of Chinese institution and platform-building, in international finance (the Asian Infrastructure Investment Bank), communications technology (Huawei) and infrastructure connectivity (Kyauphyu port, Myanmar). Risks and opportunities are identified and inductively analysed from multidisciplinary case study investigation and immersion in contemporary commentary from a practitioner as well as academic perspective. A sustainable interdependence risk framework is developed from a grounded theory approach to augment comprehension of the axiomatic uncertainties related to rising China and its role in sustainable development, to support proportionate identification, analysis and assessment of the new geopolitical and interdependence risks. Given the global nature of critical risks and global governance in disrepair, dysfunction and dispute, recommendations are made for further research into the development of a theory of sustainable internationalism.

Preface

This research project on interdependence risks has been a long time coming, following three decades as a practitioner either in the profession of international relations or in politics, including in particular more than two decades of professional interaction with China. Some personal reflections in these introductory remarks are therefore required to provide full disclosure, so that the reader can assess my personal experiences and perspectives that no doubt influence the text below. Conscious of the likelihood that those experiences and perspectives might unduly influence my research, I deliberately travelled as far away from the overwhelming, normative China discourse that had emerged in my home country of Australia, to Hungary, and have avoided in this dissertation – apart from the occasional relevant reference – matters in which I was myself a participant, such as Australia-China and Pacific islands-China relations. Bias is inherently difficult to purge from any kind of research because it is often, axiomatically, unconscious, but from living in a number of dramatically different cultures, I believe I have cultivated at least a sincere – if possibly never entirely successful – intention to remain aware of contested narratives and different perspectives on subjects that often polarize scholars and decision makers alike and lead us to assert certainties, such certainties sometimes stoking confrontation and conflict. I have seen enough confrontation and conflict to believe it is worth applying human empathy and intelligence to finding ways to build peace and cooperation instead. Empathy requires walking in another's shoes.

Returning to Hungary, for me, after three decades since my first stint here as a young Australian diplomat, brought back memories of the flush of optimism after 1989 amongst observers from the so-called “West” that peace, liberal democracy and market-oriented political economies would flourish in these new geographies, beyond the very small number of countries that until that time had constituted the so-called “liberal international order”. I was as enthusiastic as everyone that European integration might help secure peace, but was sceptical that the transition to liberal democracy and marketisation would be smooth, especially if pursued ideologically by elites rather than built from the ground-up. Living in Hungary again these past few years has underscored what I have observed in many places, that empirical lived experience matters, and that grand theories can sound very convincing at certain junctures, to both participants and outside observers, but can prove disappointing over time, if they are expected to provide some linear guide to the

future. Things change, other things stay the same, but nobody has yet figured out how to predict accurately which things will change and which will stay the same. Lived experience in different cultures is a rich complex of elements that we may inevitably perceive as positive or negative, but which are more likely mutually constitutive. Living in a foreign environment can open the mind, if it is open to be challenged in the first place. Living in a foreign environment facilitates a deep engagement and awareness of local dynamics, a level of understanding that I have observed helps to inform political risk research and analysis but appears sometimes lacking in grand “theories” of international relations that have usually been written at the centre of a ruling empire rather than in the borderlands intersecting between imperial influence and the other nations of the world, where most of the global population lives.

As a relatively privileged global citizen, life has been good to me in Hungary, China, the United States (US) and several other places in between, where I have had the good fortune to have a relatively unique vantage point from which to observe the commonalities and differences in challenges many people and organisations face, at the same time as the opportunities they have before them. Perhaps it helps that I have always been an optimist rather than cynic, having seen how human agency can address challenges, and, as a former diplomat, a cheerleader for international engagement, cross-cultural understanding and all the complicated negotiation and construction necessary to arrive at mutual benefits. The recent decades of peace and transformative economic development in East Asia, lifting hundreds of millions out of poverty, appeared to justify optimism. Nevertheless, I have long been only too aware of how everything fails sometimes, from observing as the former Yugoslavia descended into the hell of ethno-nationalist warfare in the 1990s, while I worked at the time in the Australian Embassy in Budapest.

In 1993 on my return to Canberra, I became United Nations (UN) peacekeeping desk officer, responsible for drafting policy advice on Australia’s participation in peacekeeping operations, at a time when UN member states were grappling with whether the post-Cold War exponential growth of peacekeeping could be sustainable and more strategically deployed, including to prevent conflict and to build post-conflict peace. I worked on a team researching Gareth Evans’s book *Cooperating for Peace*, which argued cooperative security required proportionate measures for the spectrum of security challenges, and that these security challenges spanned human, economic and other factors. It was an initiative parallel to the same government’s attempts to support the

rapidly developing complex interdependence in the Asia Pacific with new regional architecture to embed what my minister called “habits of dialogue”. China was busy rejuvenating itself with its market reforms and was front and centre of our attention, at least in what we then called the Asia Pacific. Optimism was certainly the order of the day, with Australia’s deep integration into Asian supply chains delivering benefits all round. As Asia got richer, Australia got even richer. To make it all sustainable, we knew we needed to also build regional security. We embarked on a grand experiment to manage both security and international economic interdependence in a complex set of interlocking strategies, with Australia the first country, I believe, to merge its departments of foreign affairs and trade, in the year I joined. That was a path subsequently followed by small and middle-sized countries around the world with the conviction that economic and strategic interests can be managed holistically. Whether the international relations literature, most of which emits from the US and other centres of power where economic and strategic interests are managed quite separately, can integrate understanding of economic and strategic interests without privileging geopolitics is another matter.

Then there is domestic politics, which to me always seemed to be part of the untold story of international relations. Integrating with Asia had its challenges for Australia, not least in the cleavage it created domestically between those deeply engaged with the diversity of Asia (such as businesspeople, academics and the government of that era, the so-called “elites”) and many others whose understanding of Asia was gleaned from holidays in Bali or media narratives that exoticize Asia through Western (predominantly English-speaking) eyes. I first visited Hong Kong in 1973 as a nine-year old in the days when there was no talk of either democracy or communism, but rather its blend of authoritarian colonialism and unfettered free market ruled, with dismal sweat shops jostling side by side with luxurious bankers’ clubs. It was complexity in open view. Then at the turn of the century after those sweat shops moved north (as well as plenty of luxurious clubs) I began regularly visiting mainland China accompanying trade delegations, whose members were securing lucrative deals to export iron ore, coal, beef, lobster, wine and of course education, all part of Australia’s massive trade surplus with China. Again, we saw the complexity of rapidly changing Asia, some aspects exciting and others deeply troubling. We were entertained lavishly and subjected to long monologues on the win-win benefits for Australia of more deeply partnering with China. I took to enjoying using my right of reply to also wax lyrical about mutual benefits while diplomatically pointing out we may nevertheless have different perspectives on some questions because of our

different national experiences and interests. These points were always well taken and I don't recall ever being coerced to take a particular position, although to be sure there were many occasions when my interlocutors expressed bafflement at why Australia persevered with its alliance with the US when – according to them - its interests were so obviously in closer friendship with China. I always argued we could do both, and always believed it, as international relations and international business appeared to me to be a balancing act between competing interests and risks to be managed together. This view was widely shared amongst my peers, all practitioners in the business of building cooperation. I have maintained wide networks with colleagues in and from China and do not accept the currently fashionable view that maintaining such networks exposes me to coercion or bias.

Where I did encounter coercive attempts to change my mind was on a US State Department International Visitor Program tour in 2002. Part of the program was a week of appointments in Washington during the height of the debates about whether the US should go to war in Iraq. Minds were all made up, of course, but I was captivated by the sometimes impressive congressional debates and then underwhelmed by the lack of curiosity amongst the political and communications advisers I met concerning what might actually happen in Iraq after an invasion, or whether indeed such an act might undermine the very international rules and norms it was being advertised as protecting. In one meeting in the Pentagon, I voiced the opinion that if the Opposition in Australia won government, it would not support the US abrogating international law in Iraq, and that Australia, like other US allies, had to preserve its right to point out when the US made mistakes. It did not go down well at all, and I was lectured in chilling terms about how I should take back to the Australian Opposition a warning that it would put the alliance at risk if Australia did not do what it was required to do. In late 2019 on another visit to the US, this time to attend a conference on Chinese globalization, I encountered the dismay of Americans that Australia had become too “dependent” on China and witnessed claims that Australia would have to “choose” sides in the coming Cold War. At the time of writing it certainly seems those warnings have come to pass, with recent Australian governments demonstratively having chosen sides, following the seismic shock of the Trump years but also in no small part reinforced by China's clumsy economic coercion to express its displeasure at Australia's starring role in the new narratives about a China threat. All of which is a circle of mutually constitutive elements of geopolitics and domestic politics that cannot, in my experience, be reduced to a black and white account.

But the complexity of these problems doesn't stop the simplistic, populist narrative from being broadcast daily about Chinese "influence" and Australian "dependence". Meanwhile Australia still enjoys its massive trade surplus with China.

Those grand strategic debates about "sides" in a new Cold War, though, exist at a level of abstraction distant from real people, relationships, networks, businesses and organisations that conduct interactions amongst the majority of the world's population, in Asia. In that region, we have seen plenty of power disputes and conflicts in the past, at the same time as deepening economic interdependence. Over the years I formed many friendships with business people, academics, artists, government officials and non-profit workers in Asia, chatting over beers and sometimes banquets about the things that actually troubled them more than the narratives from imperial capitals, matters such as expectations of long hours of work, demands of traditional family expectations, soaring real estate prices. There were so many things these people had in common with my peers in Australia, relatives in America or colleagues in Europe, but also some things that were so different. In particular, life has been transformed in Asia in one generation. The change in Asia is unlike the marginal changes in Central Europe since 1989 or the China-fuelled surge in wealth in Australia. The life changes in Asia constitute a total transformation. The Asian middle class has arrived, as the largest middle class in the world, with aspirations for peace and prosperity, together with expectations of travel, higher education, all the trappings of a global jet-set. Yet in Washington and Brussels the debate about Asia is often framed as all about normative political "values". We are supposed to distrust Asian countries that have not yet followed a liberal democratic transition (although those that have often retain many of the trappings of former state-centric and communitarian values that are alien to the West). Does it bother the newly rich people in Shenzhen and Ho Chi Minh City that they do not enjoy multi-party, liberal democracies? For some, yes; for others it is the price to be paid for peace and stability over the alternative, which many fear might be chaos at this point in their development. Some detest the corruption of the state, others long for the state to protect people better from unscrupulous tech companies and exploitative work places. There is a tolerance of the ambiguity in holding both views. Life in Asia is complicated indeed but, to be sure, members of the new middle class have dramatically more agency in their daily lives than their parents had. Politics and economics are not proceeding according to the anticipated post-1989 "end of history" linear script though, with China's rise creating widespread anxiety beyond its borders and indeed even within its borders in cities on its periphery. I

remain interested to look beyond the anxiety, to figure out how to live with a stronger China.

I found myself living and working in China at the very time that the China discourses shifted, with China's narratives increasingly more muscular and ambitious, the narratives emanating from the US (and its deputy sheriff Australia) increasingly more fearful and dramatic. I had long been warning that the West would get a shock when it realised what was happening in China, but little did I know that shock would come while I was based in Beijing. My role as Trade and Investment Commissioner for the Pacific Islands Forum, the peak regional organisation of Oceania, was to assist economic development of the Pacific island countries by growing trade, investment and tourism links with China. When I started, it seemed a simple enough proposition. The Pacific island countries simply desired a little of what Australia already had. It appeared to me that the China market was big and liquid enough to contribute to some carefully developed projects to support the Pacific islands. In my interview for the job, I was asked how I would build relationships for the Pacific. I replied that China was big, difficult and opaque and saw the world through its own interests, rather like all major powers, so for small island nations we would most likely succeed if we frame cooperation in terms of China's own grand narratives, such as the Belt and Road Initiative, and then work to find areas of mutual benefit. Further, I said we should hedge and leverage the considerable resources and networks of Australia and New Zealand, both member states of the Pacific Islands Forum. From the beginning, it pains me to say the New Zealand Ambassador and his team agreed and worked closely with us but the Australian Ambassador and her team had a different focus. We did not see much of them in Beijing or elsewhere in China, despite the bucket-loads of money being made by Australian companies working with China. Something had changed since the previous Australian ambassador, who had been such a champion of carefully managed interdependence. I didn't fully appreciate what had changed until 2017. In that year, the Australian intelligence agencies "revealed" to the Australian media that a wharf being built in Vanuatu was likely to become a Chinese military base. There was not a scrap of evidence for this claim as far as I was aware, having actually inspected the project. As far as I could see, it provided a very valuable piece of new infrastructure, delivered on time and on budget, for Santo Island in Vanuatu to be able to host both an Australian cruise ship and a container ship at the same time, a boon for local economic development. Perhaps some characteristically unreliable local gossip had been captured as "intelligence", rather like the supposed weapons of mass destruction in Iraq? Or was it

some overheard bravado in China about how it planned to break through the first island chain, typical swaggering talk of military types after they have drunk sufficient baijiu? Suddenly the narrative in Australia was about a China threat in the Pacific and that meant a China threat to Australia. It seemed preposterous to me to think China would pose any threat to one of its most important trading partners and a solid US ally. Through interdependence, China could access all the iron ore and natural gas that it needed; why would it invade?

2017 was also the year in which I was due to address the Pacific Islands Forum leaders meeting on proposals to strengthen Pacific economic integration with Asia, an initiative fully supported by all the island leaders (although with some misgivings about the People's Republic of China amongst those island countries that recognised Taiwan). All of my recommendations, carefully developed in full consultation with experts and stakeholders across the Pacific including Australia, were adopted by the Pacific leaders but trenchantly resisted by one speaker, a person I assumed to be a mid-level public servant from Australia due to her faltering, barely coherent intervention. She turned out to be a notoriously extremist member of the Australian government, who became famous for warning China was building "roads to nowhere" in the Pacific islands. These BRI projects to which she objected were, as I knew from all of my colleagues in the Pacific, not roads to nowhere but actually roads to people's homes and businesses. Chinese investment, to be sure, was controversial. There were certainly questionable business practices amongst some of the Chinese entities in the Pacific. But then again, there had historically been questionable business practices amongst Australian entities too. As far as most islanders were concerned this was simply the latest big power to come and show an interest. Europeans and Japanese had come to invade, the US (and French) had colonised and polluted the region with nuclear tests. The difference with China was that it wanted to do business, and was adept at appearing to show respect to Pacific leaders, welcoming them on visits to China with full honours, and showing no signs of wishing to conquer or lecture these proud island peoples, as Western nations had done over the past centuries, nor did China treat them with indifference as Australia was wont to do most of the time.

Then there was the very well documented, actual security threat to the Pacific – and to the world – about which my colleagues in the Pacific islands were deeply concerned: climate change. On climate change, as on matters of respect and dignity, the Pacific

leaders felt they received a better hearing from China than from the so-called “leader” of the region, Australia. None of this was to say that I did not retain some cynicism about why China would invest so much interest in the Pacific islands. China clearly has a geopolitical game to play in both sustaining the non-alignment of these small island nations that could otherwise be enticed into the US-Australian embrace, and certainly China is keen to win over the few remaining island nations that recognise Taiwan. I found myself, not for the first time, doubting the motivations of an Australian government that many of my generation despaired was amongst the least capable of our lifetime, with its actions underlining for me how important domestic politics is in international relations. The Australian government I had worked for, years earlier, did not play populist games with its relationships in Asia or put at risk its important relationships with its neighbours.

But the Australian government of recent years, fragile as it was on a slim majority, appeared nevertheless focused on whipping up fear of an external enemy and demonising some internal enemies at the same time, “standing up” to China, taking advantage of an opposition donor scandal, claiming universities were being undermined, banning Huawei, raiding academics, media and even an opposition politician in a dramatic media blitz, talking up scenarios of “war” with China and blocking a number of Chinese investments. The latter being a significant break from Australia’s previously open and transparent trade and investment regime. In all cases, there was an alarming lack of evidence of the claims but a disturbing pattern all too familiar from the Cold War era when a similarly fragile Australian government had sought political salvation in McCarthyism and by jumping unquestioningly into the Vietnam war, the subject of my undergraduate thesis. As in those days, when I supported the US alliance but opposed the Vietnam war, I wondered if it was possible to still prefer the US as a security partner but also recognise its folly in seeking to confront rather than find a way to cooperate with China. But there are plenty of international relations scholars puzzling over the US-China relationship and indeed the Australia-China relationship, so I decided not to pursue these questions too close to home in my PhD research.

Nevertheless, I paint this picture of the context from which a question formed in my mind about how could other nations, small and medium-sized, and indeed all international actors including businesses, manage the risks and seize the opportunities of economic interdependence with China in the face of a hardening geopolitical contest for hearts and minds? Must it be all the way with the USA, even if prosperity and possibly even

environmental survival will also require a level of cooperation with China? Or will one day, as the US and Australian narratives claim, the demand be to go all the way with China, an authoritarian power that may in the end trample over liberal democracy and the interests of small and middle-sized countries in its path? Most of the world does not see the world the way the US and Australia see it, indeed I am not convinced even those two countries always see the same world, but that depends on which constituency is represented in Canberra, those familiar with Asia or those fearful. In my experience, China is no Soviet Union, but neither is it a liberal democracy, and the future geopolitical aspirations of authoritarian China and liberal democratic but populist US both remain uncertain. To be sure, China is often paranoid, potentially fragile, prone to nationalism and perhaps it will evolve to threaten future aggression; rather like the US – despite its liberal democracy – which also appears paranoid, fragile, prone to nationalism and with quite a track record of aggression. So I am guardedly cynical about narratives from both. Both appear to me to require careful management to pursue national interests, rather than “choosing” to follow one and confront the other.

I therefore embarked on the PhD with my own back story and no doubt my own biases which I present for the reader to assess, with my preference for interdependence over geopolitical confrontation. But I do wish to state upfront that I accept geopolitical contest between culturally different major powers is a reality, even if sometimes because of the monolithic, absolutist power of their discourses. I therefore wanted to explore in what conditions interdependence could co-exist with geopolitical contest for other actors. Given my experience of on-the-ground negotiations of interdependence, I was particularly interested in observing how businesses, financial institutions and other stakeholders view the risks and opportunities they must manage in relation to China, indeed including Chinese actors as well as their counterparts in smaller countries. If I have a hypothesis it would be something along the lines that for practitioners of international relations – and hopefully for future theorists – geopolitics must co-exist with interdependence. We therefore need to consider both together. To do so, the political risk approach appealed to me as a former practitioner, in how it reflects the empirical, multi-disciplinary and iterative process that, in my experience, a diplomat or an international businessperson must employ to keep abreast of all (not just some) dynamics at play in their field of operation. Sometimes there is much more going on than the grand narratives of “good” versus “evil” might portray from the major power capitals, and so my interest is international relations from below, rather than geopolitics from above.

I am under no illusion that China's acute historical sensitivity to external humiliation and its growing hubris in the face of what it assesses (incorrectly I believe) as Western decline may indeed see further hardening and militarism. Yet my experience of Chinese elites and ordinary people alike is that they are much more interested in matters of prosperity, health and safety and would need a big nationalistic shock to put all of that at risk. Sadly, my experience of the US is that Americans are only too willing to deploy their nationalism into wars abroad that are destined to fail from the beginning. So, there is a security dilemma underlying this research. As so many other scholars are examining that security dilemma, however, I set out to immerse myself in the complexity of interdependence, in fields of human endeavour that are equally worthy of study because of their transformational effect on the greater part of the world's population: finance, technology and infrastructure.

My plan, in basing myself in Budapest for this research, was to keep a distance while I was reading the literature and writing, as well as commuting regularly between Asia and Europe, conducting interviews on the ground for the cases I wished to pursue in more detail. Alas, only the former, keeping my distance, was possible during the Covid-19 pandemic, which began a year after I started the research. Nevertheless, I was able to draw on my extensive networks to keep connected online, including observing and participating in a steady flow of online conferences and webinars that informed the research. It turns out that Hungary was not so far removed from interdependence with China as I first thought, becoming the first recipient outside Asia of Asian Infrastructure Investment Bank (AIIB) lending for its ailing hospital system, with Huawei helping it to build a smart multi-modal railway hub at Fényeslitke, as well as Chinese lending to upgrade the Belgrade-Budapest railway. In each case there is a mix of geopolitics, economic interdependence and a healthy dose of domestic political factors. Nevertheless, there are plenty of Europeans researching Chinese links to Central and Eastern Europe and I decided not to make that my focus in this research, which I wanted to be broader in its focus, given the global nature of the China interdependence question. So, the following contains observations from research undertaken by an Australian, primarily concerning Asia and mostly completed in Europe. I was fortunate to be funded by the European Union to conduct research on Eurasian connectivity for a Jean Monnet Research Network, which supplemented the focus of the thesis and some of which is therefore incorporated.

Events were changing so fast while undertaking the research that the academic literature could hardly keep up, so I found myself relying much more than expected on think tank reports, expert mailing lists (such as the excellent *Sinocism*, which collects major news and analysis about China and China in the world on a daily basis), news media and the abovementioned online conferences and webinars which probably provided more direct access to many views than more offline interviews might have achieved, and these are all framing the discourse as the new world order unveils itself. I also maintained a daily connection with Asian business networks throughout the research in my role as Vice Chair of the Sustainable Business Network of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), which provided a stream of experiences of how interconnected and interdependent businesses remain in the region. The interviews, on which my original research is based, proved more difficult to carry out than planned because of the Covid-19 crisis, as well as the security crisis in one of the case studies, Myanmar. While not as much interviewing proved possible on the ground in Asia as I had planned, I believe I nevertheless achieved a representative sample of actor perspectives for my mostly online interviews and can only hope what I have been able to collect and analyse contributes something unique.

1. INTRODUCTION

1.1 Era of disruption

There is no precedent in living memory for a power transition on the scale of rising China. The emergence of the People's Republic of China (discussed hereafter as "China"), as the world's largest trading nation, after four decades of economic reform and opening up, and the possibility that it will equal or surpass the US as the world's largest economy in coming years, shifts economic power from the Atlantic to the Pacific. Economic power is generally considered to be a precondition for political power in the international system. The most populous state in the world - that was nevertheless not part of world order construction in 1919, 1945 or 1989 - is now indicating that it wishes to play a lead role in the next world order. This has generated a new geopolitical dynamic, a transition from the unipolar world since the end of the Cold War to a new bipolar or, perhaps more likely, multipolar world with the simultaneous rise of India, a state of approximately the same population, and a number of other large, rapidly developing countries in Asia and beyond, while the US and its vast network of allies maintain significant geopolitical and economic power. In China, a new discourse of confidence has taken hold, mirrored by a discourse of anxiety in the US and its allies about the changing world order. A new order is nevertheless yet to take shape and China's role in any new balance of power remains axiomatically uncertain. Indeed, a number of multiple systemic disruptions complicate the picture, with emerging risks in the global climate, new conflicts, a return of nationalism and protectionism and economic and technological transformation.

In this research the term geopolitical power is used in its broadest common usage, defined as the capability to use all kinds of political power (from persuasion to force) to achieve national objectives. China's growing power has been commonly represented – at least until recently - as primarily geo-economic in nature and it is in that realm that it has become globally consequential, with increasing expectations that it will amass the full range of geopolitical power over time. Geo-economic power is commonly understood to refer to the use of economic and financial power for geopolitical purposes (Luttwak, 1990). This definition is adopted here.

As well as its deep integration with the advanced economies through global value chains, China has become a major financier, investor and aid donor in the developing world. That

developing world, including China, is now moving from the margins to play a central role in international relations and the international economy and brings to the international system new priorities and new goals. Indeed, globalization has empowered multiple new actors, particularly in Asia, and demonstrated the relatively declining role of traditional “Western” powers, that dominated earlier stages of internationalisation. Risks, as well as opportunities, abound in such an evolving order of uncertainty and complexity, particularly because of the complex interdependence of the global economy and forces undermining that interdependence.

After three decades of relative peace, stability, development and globalization in most of the post-Cold War world, we appear to be witnessing in the 2020s a perfect storm of multiple systemic disruptions to the global system, international economy and indeed climate. The complexities and uncertainties of these disruptions raise serious questions about how international actors can manage risks. The new world that is emerging is generating new risks that may require a re-think about how international finance, commerce, investment, diplomacy and all forms of international cooperation function. Confidence in complex interdependence, which underpinned the globalization era - built on assumptions that states and international actors could achieve positive sum outcomes from an iterative process of negotiating rules, norms and practices while economies became ever more integrated - appears to have collapsed.

The new great power, China, is doubling down on authoritarianism at home and outlining ever more ambitious plans to remake the global order, making it intrinsically a systemic rival to the great democracies. At the same time, in those democracies that had formerly written the international relations narratives, trust in internationalism has plummeted and polarized domestic politics are united only by trends of populism, ideological competition, confrontation and conflict. These trends were amplified by anxieties and challenges generated by the Covid-19 pandemic and its economic impacts on supply chains, debt and inflation. The global health-economic crisis was then followed closely by the impacts of Russia’s invasion of Ukraine, which seemed to confirm both the worst fears and warnings of geopolitical analysts of a return to an era of zero-sum battle for global power. At the same time, innovation is ushering in a period of rapid technological change without any consensus on how to manage its social and economic impacts. Finally, despite decades of international efforts to reduce environmental harm, human-induced climate change risks significant disruptions ahead to food security and disaster

resilience. Indeed, the early 2020s appear to represent the end of an era of optimism about international interdependence and the beginning of a new era of pessimism about risks.

This research project seeks to understand risks and opportunities generated for a diversity of actors who have become interdependent with China in this broad context of a world order in a period of great uncertainty. It is no longer possible for international actors to plan based on an expectation of status quo conditions, rules, institutions or markets. For economic actors, who drove the period of ever-more integrated value chains, and for government actors, who drove ever decreasing barriers to trade, investment and mobility, today's international system is seeing the rule book rewritten, with supply chains and international cooperation more broadly reshaping in response to the new geopolitical contest underway, pandemic, war, climate change and technological transformation. Complex scenario building and deep contextual understanding, as sought in this research, can contribute to analysis of risks and opportunities.

1.2 China and the world

In the new, unfolding global power realignment, China has become a leading player in the institutions of the international order, such as the United Nations (UN) system, World Trade Organization (WTO) and participates (although constrained by limited voting power) in the Bretton Woods Multilateral Development Banks (MDBs). As well as participating in institutions developed prior to its growing global power, China is also innovating with new forms of global governance. It is deploying its new economic power to build new institutions and quasi-institutions with potentially global reach, many of those in the economic sphere absorbed under the umbrella slogan of the “Belt and Road Initiative” (BRI), an ambitious bid to reshape supply chains and drive development and, in the process, making China a major creditor to an array of nations at all points in the development process. Whether these new initiatives complement or challenge the so-called liberal international order is a matter of debate in the literature, with much of the international relations literature emanating from the US anticipating conflict and contest between the hitherto dominant West and rising China. In recent years the US has dramatically switched its China strategy from engagement to strategic competition, claiming China's rise poses security threats in its challenge to US global power. Whether China's rise demands the rest of the world abandon economic interdependence and characterise each interaction with China as a security threat remains uncertain, however.

To be sure, China has a dramatically different political, economic and social model from the advanced economies and has different priorities for the international system. China has begun in recent years to act and to communicate assertively, like a major power, while seeking a leading role in an interdependent global economy. The dramatic shift of US strategy has generated a deep pessimism about prospects for the future of global economic interdependence, with some expecting the era of globalization is drawing to a close, although what will replace it remains unclear.

China's "reform and opening up", which began as a result of a new policy adopted by its ruling Communist Party in 1978, introduced market mechanisms, including allowing the emergence of a private sector and pursuit of export-focused and capital investment-driven growth. China developed its own version of the East Asian development model, which will be discussed further below, utilising interventionist industry planning while engaging with the global economy, opening to foreign investment but retaining a significant degree of direct state control over critical sectors of the economy. While the party state's five-year plans continue to provide overall policy direction, the private sector has continued to grow to now eclipse the state-owned sector. Although, in recent years under the strengthening leadership of Xi Jinping, the party state has been re-tightening its control, in a bid to prevent large private enterprises from amassing the kind of power that their equivalents wield in the US, especially in the finance and technology industries. By re-establishing more central control, Xi is widely considered to be confirming the long-held maxim that the future stability of the Communist Party's rule is based upon continued competent and technocratic governance that can deliver sustainable growth, economic and social transition towards a higher income economy and more widely spread benefits to Chinese society. Whether the party state can do so, in particular whether it can bridge the middle-income gap that has plagued some other developing countries and succeed in shifting to more advanced forms of investment and consumption while remaining politically authoritarian, remains uncertain. Because of China's size, its challenges are necessarily challenges for the international system itself.

Elite and popular opinion within China itself tends to represent the nation as a stabilising, peaceful stakeholder in the international system. China's grand initiatives to build economic connectivity are therefore positioned in Chinese discourse as a benign contribution to global governance, now that it has become the second largest economy and has a large stock of investment capital and development expertise. Nevertheless, the

prevailing realism, authoritarianism and deep economic and social reach of its party state represent a formidable consolidation of power, providing an asymmetric advantage if (and when) that power is deployed against the interests of others in the international system. Indeed, as we shall see, China's growing capabilities raise serious questions about how it will exercise such power in future, both in pursuit of its economic interests and, over time, as a major power in every respect. As Xi often says, the world is undergoing profound changes unseen in a century.

Across much of the developing world, China's economic achievements are widely admired. Indeed, even in much of the advanced world, it is recognised that the consequence of China's reform period, the movement of hundreds of millions out of poverty and the development of Asia's largest middle class, constitutes one of the greatest welfare transitions of human history. In particular, elites in countries facing development challenges have increasingly looked to China for lessons and for assistance. China's rise has therefore come to represent in some narratives the aspirations of the developing world for a greater share of prosperity and a more proportionate influence in the world, even as many within historic rival nations such as India, Japan or Vietnam simultaneously fear how China will wield its growing power. In Asia, leaders who have emerged in countries that were, themselves, authoritarian until they reached a high level of development, demonstrate caution in protecting their national interests against a more powerful China but exhibit less of a normative distaste for the Chinese political system than their Western counterparts. Indeed, after a history of conflict in the Cold War and the long experience of colonialism, Asian leaders tend to prefer multipolarity to hegemony of one power. Given the cultural diversity of Asia, leaders there also tend to exhibit a greater level of ease with complexity and contradictions than the more absolutist world views of the West, with Asian governments relatively more comfortable to both build economic interdependence with China and at the same time to hedge and balance against Chinese power. This presents a central question in this research project, whether it is possible to do both.

1.3 The response of the US-led West

In the "West", that small proportion of the world's population that has dominated the international economy and disproportionately benefited from industrialisation until the development surge of recent decades, the reaction to China's growth has been distinctly

different from that of the developing world. The US and its closest allies have none of the Asian tolerance for multipolarity. So long as China displayed little inclination to act as a major power, an optimistic consensus prevailed, expecting that China could be accommodated in the liberal international order. That optimism – and commitment to constructive engagement – began to dissipate as China under the strengthening leadership of Xi exercised more assertive actions in the South China Sea, became a dominant investor and financier in the developing world and aspired to lead the world in the rollout of new technology. All of these more ambitious moves by China followed the worst financial crises in the US and Europe since the Great Depression and a dramatic new polarization of domestic politics in those countries. Distracted by their own economic and political crises, leaders in the US and the European Union (EU) paid relatively little attention to China's rise until Donald Trump channelled populist anger against China in his 2016 presidential election campaign.

Fuelled by debt, the US had been running significant trade deficits with China, an unbalanced relationship that economists had long warned was unsustainable (Roach, 2014). At the same time, US security focus was elsewhere. Despite President Barack Obama's "pivot to Asia", the US military had been bogged down in protracted conflicts in the Middle East, while China continued to build its own defence capabilities to become the second-ranked military power, although still well behind the US in force projection capabilities. The US response to the new balance began in geo-economic terms but quickly became a matter of national security and then a cultural battle of fear and blame. President Trump initiated a "trade war", declared China a "strategic competitor" and then seized upon the Covid-19 pandemic of 2020 to whip up fear and blame of China. US narrative power was harnessed for a daily barrage of negative media stories about China. Popular approval of China plummeted in the West. Importantly, the US by the time of Trump appeared to have lost confidence in the international system it had led in the post-war era, withdrawing from several international organisations including the World Health Organisation (WHO) at the peak of the Covid-19 pandemic, and signalling a rethink about globalization, advocating a binary decoupling from China and its global value chains, in particular in new technologies. A US that believed it won the Cold War appeared to be urging a new Cold War, at least according to simplistic media narratives.

Nevertheless, the US trajectory remained uncertain after Trump was decisively defeated in 2020. Indeed, the culture of fear and blame may pass, but at the time of this research,

it had firmly framed the Western discourse about China, with risks commonly catastrophised as “threats” and a binary geopolitical approach favoured, in which strength was measured by degree of resistance to China, rather than constructive engagement through geo-economic interdependence and geopolitical balancing. China’s significant geo-economic power is considered to give it new “influence”, which is normatively feared as generating a network of new dependencies that China may leverage in future to overturn the global balance. Its domestic political system, which features harsh authoritarianism to stifle dissent, particularly in its troublesome border regions, has become a new focus of Western concern. This research project is not concerned with these questions, important as they are, of internal Chinese policy. It must take account, however of the fear being expressed about China’s “threat” to the national security of other countries, in which it is commonly expected to build geopolitical power to exert hegemony, in Asia as well as in the international system.

1.4 Introducing risks on the Belt and Road

One over-arching initiative of Xi’s China is widely perceived to cross between geo-economic innovation and geopolitical grand strategy, the Belt and Road Initiative (BRI). The BRI and China’s associated finance, investment and aid have become increasingly caught up in these narratives of China’s rise, global interdependence and the subsequent opportunities, risks or threats, depending on the vantage point of the observer. The BRI is an umbrella term for China’s ambitious bid to create new institutions, infrastructure and economic connectivity across the developing world and beyond (State Council of the People’s Republic of China, 2015; National Development and Reform Commission, 2015). As a key framework for China’s aspiration to lead the next phase of globalization, the BRI is pitched primarily at the developing world, where the BRI has been taken up with enthusiasm. It is also open to participation by advanced economies. The initiative in its commonly understood scope includes new institutions as well as a broader set of agreements and platforms to build new infrastructure and economic connectivity across the developing world, connecting back to China as the hub and linking new value chains to advanced markets. In characteristic Chinese fashion, grand plans are announced, earnest promises made and projects are implemented with massive deployment of Chinese capital, expertise and labour. Sometimes these projects appear to successfully build new infrastructure that no other funder was prepared to support, but other times projects appear to be contributing to developing country debt dependency and sometimes

bulldozing over localised opposition and generating or facing a plethora of other problems, to be further investigated below.

In international relations and security, China's growing economic power in the developing world, represented emblematically by the BRI, generates critical questions and risks in relation to global order, international finance, technology and infrastructure. The inherent complexity and structural change occurring in the international system axiomatically mean that there are indeed multidimensional risks for multiple actors, just as there are likely to be opportunities. If the geopolitical contest deteriorates into confrontation and conflict, there will also be threats to actors. These are all explored in this research. While the focus of the research is on interdependence, the points of connectivity exist in an international system in which geopolitical power is understood to be intrinsic. An increasing number of Western observers fear all points of connectivity may become vectors for Chinese power. Often the term "influence" is used in the popular discourse without any definition and so the term power is preferred here. In this discussion, power is understood to represent one actor's capability to influence another actor to take an action that it would not otherwise undertake, with such power manifesting as hard power (coercion or economic purchase), soft power (attraction and persuasion) and smart power (agenda-setting) (Nye, 2011). On most measures, China's power in the international system is observed to be growing, resulting in a relative decline in US power.

Particular Western fears are manifesting in relation to Chinese soft power in developing new norms for financing for development; Chinese smart power in agenda-setting and even in concealing security capabilities in new technologies; and Chinese hard power in funding, constructing and controlling strategic, potential dual-use infrastructure. In much of the geopolitical literature and the prevailing Western discourse, Chinese finance, technology and infrastructure connectivity projects are now catastrophized – at each point of interdependence – as generating national security threats. The new discourse is driven by assumptions of inevitable confrontation or conflict and a deep distrust that China will destabilise the balance of global power. Indeed, Chinese observers believe the current balance could do with some rebalancing and the Western fears are contested and debated in an emerging literature of interest to scholars, governments, businesses and communities with interdependent economic and other links to China. Nevertheless, populist, intuitive reactions to China's rise dominate the narratives, reinforcing

ideological binaries. In this climate, this research seeks to step back from those binaries and to understand how international actors seek to maximise gains and minimise vulnerabilities in the world how it is and how it is likely to be, rather than how we might wish it to be.

1.5 Taking an empirical approach

Meanwhile, the geopolitical contest is degenerating rapidly and therefore it is expected a rich new literature will continue to emerge. Indeed, the literature is unable to keep up with the pace of change and much of the literature to date remains theoretical rather than grounded in case studies or observation of actual dynamics across the diversity of China's points of connectivity with the international system. This makes this research project timely and of likely interest to decision makers and actors as well as making a contribution to the literature, as it is rooted in empirical observation by actors and other stakeholders of processes underway during a period of transformation in the international system. Further, because of the high level of uncertainty in the evolving international system, and instead of relying on assumptions that one "side" will generate all the risks, this research seeks to develop a normatively sceptical framework to assess risks and opportunities on the Belt and Road. In taking a political risk approach, it seeks to observe how international actors may develop proportionate risk management strategies, to avoid threats, to minimise vulnerabilities and to position themselves to maximise opportunities, according to their circumstances and goals.

A key problem of transition is that theories developed to describe the former international system may not fit the new conditions, as world order is shifting. China is potentially a new kind of major power and may act differently from other major powers, or indeed it may follow a similar path. At this point, it is impossible to predict. Further, there is a diversity of actions, actors, impacts and experiences on the Belt and Road. In this environment of rapid change, it is expected the popular discourse may be constructing certainty where there is uncertainty and confrontation and possible conflict where there is complexity and perhaps still space for competitive cooperation. History is messy and is not necessarily as efficient as theoretical models. Indeed, the external environment might not always shape the outcome; the asymmetrically more powerful might not always prevail (despite the assumptions of much of the literature originating from major powers); rules and norms do not always develop in a straight line. Yet humans crave models that

will easily explain complex and unpredictable phenomena. International relations theories look for patterns in the interplay between states but there may be many other dynamics at play, including domestic politics, economics, technological change, all in the context of unprecedented global challenges such as climate change and a shift of global power from a small number of countries to much larger population centres still developing and growing. The triumphalist, liberal narrative of the “end of history” (Fukuyama, 1992) is a case in point for how inadequate the prevailing Western theoretical assumptions for a changing world have been. History did not end. Indeed, liberal triumphalism has been overtaken by a new, more pessimistic but equally confident geopolitical threat narrative, which also is perhaps also unlikely to age well. Conditions can change and are changing. The current uncertainty is greater because the rising power represents a completely different set of civilizational values and political, economic and social organisation. This research therefore is undertaken in an earnest attempt to maintain a critical scepticism of both theory and major power narratives, while assessing rich case study information on how multiple and diverse actors understand and interact with the risks that lie between opportunities and threats.

The new China threat narrative, normatively embedded across the Western liberal and realist international relations literature, creates a paradox for states, firms and communities that are interdependent with both the US and China. Actors including states are assumed to face a simplistic, securitised, binary choice to either *submit* to Chinese power or *decouple*. Neither appears realistic. No state power and few international organisations or multinational businesses can be expected to choose to submit to a new hegemony. Indeed, China is massively outweighed by the US, its allies and China’s other strategic rivals, so such a narrative of likely Chinese hegemony appears to be misleading. Neither do most actors appear likely to decouple from China’s vast market, despite US pleas, with only a handful of its most loyal allies following US pleas to block Chinese investment and technology and to potentially pay a high economic price for such decisions. It appears more likely that most actors will independently assess their own goals and develop proportionate strategies for risk management and mitigation. Yet the strategic agency of actors – other than major powers - is under-explored in the literature. This research therefore engages with actual, relevant and emerging issues characterised by contested narratives and uncertainty. Most nations have not defined China as a strategic competitor, but have maintained more nuanced hedging and balancing

strategies, and most firms have not decoupled from Chinese value chains, while many may nevertheless choose to diversify away from over-dependence on China over time.

1.6 Introducing political risk

In a period of rapid change, risk is adopted as a useful framework of analysis to comprehend complexity and uncertainty. Beck's "risk society" recognised that the change and uncertainty inherent in modernity demands a methodology that can identify and address risks (Beck, 1992). Chinese decision makers place great emphasis on risk prevention, which makes the political risk approach in this research project particularly relevant in seeking to understand how Chinese actors, too, may assess and manage risks. In the face of geopolitical, economic, technological and other disruptions, China's political class despite its official Marxist narratives features a predominance of engineers and other scientists who commonly exhibit understanding of the principle of quantum mechanics, that the world is uncertain. Liu identifies four key risks in today's "risk society": first, globalization spreads at speed and distance; meaning that, second, risks are no longer just market, micro or local risks but become public, macro and long-term; manifesting as third, unbounded, intangible and insensible risks proliferating that are difficult to measure by a true/false dichotomy; and finally, relations between the state and market/state and society are no longer demarcated as before and rules no longer function as they did before (Liu, 2021).

For China itself, the BRI and its geo-economic interdependence strategies might be understood as managing its own risks and addressing its own vulnerabilities, as a resource-constrained nation with historic fears of being isolated by the West. For the world beyond China, on the other hand, the BRI and the new geo-economic environment of interdependence it creates will generate new kinds of risks – including geopolitical risks – for states, businesses and communities, as matters of global power balance, the nature of the Chinese party state, financial and economic power, new transformative technologies, trade routes and strategic infrastructure are all in play. These risks lie between *opportunities*, on the one hand, and *threats* on the other, which is a schematic framework that will be deployed further below. As noted above, in the context of the geopolitical contest underway and rising uncertainty, risks are being generalised and, in the context of prevailing narratives of fear and blame, they are often catastrophized and redefined as threats. Assumptions of international relations discourse that the actions of

international actors follow predictable patterns underlie normative certainties in the face of more likely uncertainty. Neither the popular narratives of fear and blame nor the threat discourse in the international relations literature is sufficiently grounded in empirical observation, however, to delineate between risks and threats. A more nuanced range of strategies is applied by most actors, compared with the binary choices predominant in the emerging literature. This is the reason this research probes the risks that lie between opportunities and threats, by taking a political risk approach.

A political risk approach can help to understand how actors analyse, assess, manage and forecast risks of the next phase of globalization and the contemporary, deteriorating geopolitical environment. It is selected here to avoid superimposing a theory from international relations and to seek to more holistically understand the unique dynamics at play. Indeed, as an international practitioner, the author observes that political risk mirrors the kind of multidisciplinary, forward-looking analysis that governments (through their diplomatic networks) and businesses (through their iterative scanning of the business environment) undertake to seek understanding in conditions of uncertainty, to identify strategic options and to plan for potential future scenarios. The value of scenario planning in understanding risks in the international system has indeed been underlined during the period of this research by the seismic discontinuities and potential shifts across multiple fields of activity generated by the Covid-19 pandemic. Covid-19 underlined the failure of the international community to cooperate in the face of crisis, demonstrating that only national states hold the levers of power able to enforce measures such as protecting public health and targeted economic interventions to support affected populations. On the other hand, climate change looms as a challenge that only international cooperation will be able to address, and continued failure to do so might be expected to generate in future even greater seismic discontinuities in the international system. Comprehending likely and consequential risks will be critically important for actors to plan for and to respond to the uncertainties ahead.

Before proceeding, risk must be defined. A “risk” is discussed here as the likelihood of an event or set of problems generating negative consequences that can be identified, understood and managed (Fägersten, 2015), acknowledging that there will always be uncertainty about factors that can be perceived subjectively (Kobrin, 1979). The risks discussed in this research cannot meaningfully be measured quantitatively. Risks, and indeed “negative consequences”, will be understood differently by diverse stakeholders,

with risk factors arising in complex process dynamics, therefore requiring qualitative political risk analysis (Fitzpatrick, 1983).

The BRI includes a universe of cases (across more than one hundred countries) with a diversity of conditions and actors, with a wide variety of interests and values. This research project seeks to investigate some samples from that diversity, sceptical of major power normative narratives, taking a fine-grained, empirical and inductive approach to understanding three key representative case studies. The case study approach is particularly well-suited to qualitative political risk analysis of the BRI, given the deficit of empirical study to date and indeed the deficit of information on institutions, firms and projects, as the case study method employs immersion in discussions with actors with in-depth understanding of the complex dynamics at play. A normatively sceptical approach also allows for comprehension that key Chinese (and other Asian) actors commonly demonstrate a different approach to risk and longer-term horizons for return on economic investment or for social or political planning, and that elite actors in developing countries may have different perceptions of risk than international observers in advanced economies (and, indeed, in liberal democracies).

Political risk research on the BRI is a new field. Conventional political risk analysis has tended to be based on assumptions that actors are investors from the private sectors (or governments or institutions) of Western democracies, that risks can be assessed at the country or project level, that risks will tend to be higher in non-democratic environments (Jensen, 2008) and, further, that state capture is a deterrent to investors (Jensen, 2002). The BRI turns these assumptions on their head, with China in recent times taking a leading role in financing for development, with state-owned enterprises and their partners exhibiting a different approach to risk, confident in a state-driven development model to deliver on balance positive economic (at least) outcomes. Nevertheless, as we will see, there are risks also for Chinese actors from internationalisation and we may yet see the emergence of new political risk literature discussing the risks to Chinese investors in a diversity of environments. Yet according to the non-Chinese (and particularly the English language) geopolitical discourse, the Chinese state and its partners are problematised as generating new risks, either of state capture, strengthening illiberal regimes or growing and consolidating Chinese geopolitical power (Hillman, 2019). These claims need to be taken seriously and to be examined according to evidence rather than simply their discursive power. Further, to undertake a multi-dimensional political risk analysis of

multiple actor perspectives, the sceptical approach of this research to normative assumptions was maintained in constructing interviews to probe perceptions and perspectives on not only risks, or threats, but also opportunities for actors in a complex, changing environment.

1.7 Introducing geopolitical risk

There is a further factor that makes this political risk research different from political risk studies in earlier historical periods. The new geopolitical conditions do not match the Cold War, in which distinct and largely self-reliant regional economic integrations emerged. In the contemporary world, the US and China and indeed most international actors in between are deeply economically interdependent, as well as interdependent in facing global challenges such as climate change. From a survey of political risk literature, it is apparent that the traditional concept of geopolitical risk needs to be broadened for contemporary use to include the novel risks that are emerging in key areas such as, firstly, norm evolution in financing for development; secondly, security and governance challenges of transformational new technologies; and thirdly, constructed or real problems involved in Chinese funding, construction and potential control of strategic connectivity infrastructure across a large swathe of the world. These kinds of risks of interdependence, at the same time as underlying geopolitical contest, were not envisaged in the political risk literature that pre-dated the BRI and remain under-developed in the literature. A normative approach, that Chinese finance, technology or infrastructure must according to zero-sum logic be a threat to other actors, which is how geopolitical risk analysis was deployed in the Cold War, does not appear to be adequately nuanced for the new conditions or in particular future scenarios in which China may become more powerful in an interdependent world. A new definition of geopolitical risk may therefore be required, making a contribution to political risk theory by encompassing both observable and constructed risks related to the changing power balance and allowing proportionate risk identification, analysis and assessment in dynamic, complex and interdependent conditions.

1.8 The research question and its significance

The significance of this research is that it contributes to the gap in empirical investigation of the diversity of cases on the Belt and Road, with a sceptical perspective towards the dominant, constructed narratives on both “sides”. Using a grounded theory approach, and

therefore without a formal hypothesis, the research project seeks to understand geopolitical and interdependence risks and to develop a risk framework to identify, analyse and proportionately assess key representative case studies, taking into account contested understandings of some of the critical dynamics at play in contemporary international relations and international business.

The research question is therefore:

How can interdependence risks on the Belt and Road be identified, analysed and assessed?

The objective of the research is to:

Develop a sustainable interdependence risk framework for understanding and predicting new risks on the Belt and Road.

It is important to note that the language of risk, unless very carefully expressed, is intrinsically ideologically loaded. A discussion of risk on the Belt and Road might be assumed by the reader to imply blame or guilt. Lupton (1993) observed how, in public health matters, risk discourse tends to blame the victim and their behaviour, in language of moral danger. The AIDS pandemic raised these questions, as indeed did the Covid-19 pandemic that originated in China during the course of this research. On the other hand, as an inductive method to identify, analyse and assess risks, while at the same time observing how actors perceive opportunities and threats, risk language in international relations may bring a greater clarity than the emerging China “threat” narrative underpinning much of the literature. This is one expected contribution from the research discussed below.

It is likely that there are risks (as well as opportunities and threats) on the Belt and Road but that a more fine-grained, empirical and inductive approach will contribute to a better understanding of how risks manifest across a diverse spectrum of experience. This research aims to make a forward-looking contribution to applied political risk literature. From a more empirical analysis of what, why and how new risks are emerging in the context of a rapidly deteriorating geopolitical contest, it seeks to provide a framework that reflects how actors who are interdependent with China might manage and mitigate

those risks, at least in the three representative case studies. It operationalises grounded theory and political risk approaches in new contexts. While the case studies are axiomatically contextual and generalisability may prove not to be possible, this in itself is a valuable research finding, given the essentialist narratives of much of the Belt and Road and China “threat” literature, in which it is commonly implied and sometimes asserted that there *are* generalisable risks and threats.

1.9 Thesis outline

The next chapter explores the theory of interdependence – a dominant conceptual framework in understanding integration of China into the international system, at least until the current crisis of confidence in the US and its closest allies – utilising Keohane’s theoretical framework and the critical case of East Asian (including Chinese) embrace of globalization during the period of US predominance in world order. That is followed by a discussion of the recent crisis of interdependence, noting the influence of Mearsheimer’s theoretical framework for how the US and its allies are now understanding shifting world order. The developing ideas of new world order in China itself are then examined, before proposing a framework for assessing risks and opportunities related to China’s new transregional initiatives, for living in a world with a more powerful China. The theoretical discussion is concluded by placing it in the context of the existential challenge of climate change, which it is suggested must underpin any analysis of finance, technology and infrastructure development in a new world order.

In the first case study, the Asian Infrastructure Investment Bank (AIIB), the research project examines one case of Chinese innovation in multilateralism designed to address the deficit in financing for infrastructure in rapidly developing Asia and to deepen and broaden interdependence. In doing so, this new financial institution challenges a number of prevailing norms in the US-led liberal international order, including replacing the disproportionate power of the US and the advanced economies in the multilateral system with a more proportionate role for China and other developing countries. Its new focus on infrastructure-led development is built on Chinese confidence in the East Asian development model. The bank also represents a shift away from the Bretton Woods practices of using financing conditions to drive liberal democratic and neo-liberal economic reforms in developing countries. At the same time as representing these challenges to the traditional order, the research finds the bank also exhibits – at least to date – best practices in implementation and addresses previously unmet concerns of the

developing world. While it is not possible to extrapolate from only one case in multilateral development finance (in particular given the much greater flows of bilateral development finance characteristic of the BRI), this case nevertheless represents what could be characterised as a “best-case” case study demonstrating that, at least in some fields, China may challenge liberal norms in order to reform rather to overthrow the international order. The case study on the AIIB draws on research conducted for an EFOP-3.6.3 project on the bank for the Palgrave Encyclopedia of Global Security Studies (Morris, 2020).

The second case study is more complex, uncertain and ambiguous, representing neither a “best-case” or a “worst-case”, but a paradox of distrust, yet failure to address shared risks. It examines a leading firm at the centre of China’s interdependence with much of the world, building the technological infrastructure for the new digitalized Internet of Things, heralded as the new Fourth Industrial Revolution. Huawei has become a global leader in next generation connectivity technology and has simultaneously become emblematic of risk in the deteriorating geopolitical contest between China and the US. The firm is represented by the US and some of its closest allies as a potential vector of cyber-attacks including espionage and state-directed sabotage, as well as constructing digital standards and infrastructure that will extend Chinese state power globally. In the absence of trust and international cooperation, firms such as Huawei cannot disprove normative geopolitical threat scenarios. The logic of the Huawei paradox threatens decoupling and bifurcation of the world into two rival technological systems, with repercussions for international security, international relations and the international economy. The political risk analysis concludes that the risks originate from geopolitical factors rather than factors specific to the firm and can therefore only be resolved (if there is political will) at the level of global or regional governance with enforceable rules, norms and standards and at the national level with risk avoidance or improved risk management and mitigation measures.

The third case study presents one of the contemporary “worst-case” problems facing the BRI, at least in South East Asia, a priority region for China’s growing interdependence plans. The asymmetric relationship between China and its smaller and troubled Belt and Road partner Myanmar generates a range of political risks. Myanmar itself presents a perfect storm of multiple problems, with dysfunctional governance in crisis, civil conflict, economic under-development and growing economic dependence on China. The Kyaukphyu deep-water port project and associated Special Economic Zone located in

Myanmar's troubled Rakhine state is investigated as a case study of a key infrastructure connectivity project in the China-Myanmar economic corridor. The research finds that, while the most dramatic fears commonly expressed that the Chinese state might seize military control of the Kyaukphyu port appear unlikely, at least in current conditions, empirical observation indicates the complexity on the ground generates a diverse array of other risks for stakeholders and many of those stakeholders appear to doubt that capabilities exist to manage such risks. Yet, despite the challenges and the constrained capacity of successive governments, Myanmar has demonstrated agency, including by re-negotiating the control and cost of the Kyaukphyu project. The case underlines that conditions are more complicated than the single factor of China's asymmetric power. The research findings in this third case are necessarily presented in an incomplete basis, given the serious constraints on field interviews and the ongoing the current crises in Myanmar.

The case studies are followed by the development of a sustainable interdependence risk framework, drawing upon risk concepts from the case study and related actor interviews. Its purpose is to demonstrate how actors can develop strategies to manage risks of interdependence, which nevertheless in certain circumstances may not succeed.

The research concludes by recommending further normatively sceptical theoretical development on sustainable internationalism, to meet the needs of a new, multipolar order in which interdependence and geopolitical contest may co-exist.

2. SHIFTING WORLD ORDER AND CHINA'S BELT AND ROAD INITIATIVE

This chapter surveys the rival world order propositions that are framing the discourse on China's new trans-regional institutions, platforms and projects that are deepening complex interdependence. The underlying theme of interdependence – a dominant conceptual framework in understanding integration of China into the international system in the decades, at least until the current crisis of confidence in the US and its closest allies – is explored utilising Keohane's theoretical framework and the critical case of East Asian (including Chinese) embrace of interdependence through globalization during the period of US predominance in world order. That is followed by a discussion of the recent crisis of interdependence, noting the influence of Mearsheimer's theoretical framework for how the US and its allies are now understanding shifting world order. The developing ideas of new world order in China itself are then examined, which themselves exhibit confidence in interdependence. After the survey of world order propositions, the BRI itself is examined and positioned within these discourses, followed by the development of a preliminary framework of BRI risks based on the emerging literature. The chapter concludes with a survey of the sustainability challenge underpinning the investment in infrastructure connectivity and indeed at the heart of questions about interdependence in facing global challenges.

2.1 The promise of interdependence

Whether the forms of international cooperation developed during the post-war period of US global power would endure after a decline of US relative power was a central question posed in the development of interdependence theory (Keohane, 1982; 1984; Keohane & Nye, 2012) and this question underlies the following discussion. The concept of interdependence became a key tenet of liberal internationalism in international relations, with interdependence understood as an outcome from the key principles of the US-led liberal international order, economic openness, multilateral institutions and rules, security cooperation and the spread of democracy (Ikenberry, 2018). Keohane's theory of interdependence was firmly based nevertheless on realist principles – that states will seek to pursue their interests, however they are constituted and understood at the time. It is in interdependence, consistent with the pursuit of interests, according to Keohane, that it is

possible to find sufficient common or complementary interests to generate international cooperation. While classic realism expects states to more often find themselves in conflict in a Hobbesian chaos (Morgenthau, 1954; Waltz, 1979), Keohane's theory helps us to understand why most of the time those states existing under US global leadership have sought institutionalised patterns of cooperation through institutions and agreed rules, norms and procedures for negotiation. Further, the realist pursuit of interests was commonly understood to be the basis for deepening US interdependence with China since Kissinger opened the relationship as a circuit-breaker event during the Cold War (Kissinger, 2011).

Keohane's observation that states will seek to reduce uncertainty and risk, and lower transaction costs of decision making, by sustaining forms of international cooperation, depended however on an assessment of gains, rather than losses, from such action. Interdependence cannot therefore be equated with "harmony" (a term incidentally often used in China, as we will see below). Keohane noted harmony would be the perfect state in which one state's pursuit of its interests would facilitate the goals of others without any negative externalities. Rather, in interdependence, the pursuit of national interest leads to a never-ending negotiation and process of adjustments, accommodation and coordination with others, in which the outcome is that each other's goals are pursued without conflict. We might therefore understand interdependence as underlying the goals of diplomacy, including seeking to avoid conflict, although interdependence should not be understood as mutually exclusive from attending simultaneously to protection of national security.

Interdependence is after all constitutive with a wide range of risks that depend upon the geopolitical balance. Two of Keohane's other observations are particularly relevant to a discussion of interdependence with rising China. First, Keohane notes international cooperation is rarely universal and may be more efficient amongst likeminded states that make and maintain rules and norms. On this factor, we might expect interdependence between non-likeminded states to be problematical. Second, he observes states with opaque decision-making, which restrict information about their preferences and likely future actions, will find it more difficult to make mutually beneficial agreements. China does not expose its decision-making to the level of international scrutiny that the US does, and China's narratives of its likely future actions, discussed further below, remain widely misunderstood or distrusted, which points to another problem with interdependence.

When leaders become convinced that they cannot trust each other to pursue positive sum outcomes, they may be understood to exhibit the “prisoners’ dilemma”:

In the prisoners’ dilemma, two guilty prisoners are questioned separately. Both know that if neither confesses, the lack of evidence against them means they may only be held for 30 days on a misdemeanour. If both confess, both will be sentenced to a year in prison. The prosecutor offers each the option of confessing and walking away free, if the other prisoner refuses to confess. In that case, the other prisoner will be imprisoned for five years. On rational grounds, both are expected to confess and serve one year in prison, to avoid the five years sentence, when it would have been optimal to have trusted each other and not confessed.

Interdependence theory helps to explain why, after repeated plays, both players of the prisoner’s dilemma game can nevertheless learn to achieve a mutually beneficial outcome through cooperation. Therefore, despite contemporary populist narratives of distrust and fear of the “other”, decision makers in the international system, which is far more complex than a two-player game, may tend to engage in cooperation in the course of what Keohane describes as constant bargaining and adjustment, in the pursuit of mutual interests through interdependence, rather than the destructive alternative of confrontation and conflict. Although to be sure sometimes states opt for confrontation and conflict. Whether, as in a multi-play prisoners’ dilemma, the world will become more trusting of China after repeated experience – and whether China can inspire cooperation with its new initiatives in global governance – are yet to be seen.

Keohane’s theoretical framework was commonly utilised in understanding the deepening global interdependence – widely considered an unstoppable megatrend – during the most recent incarnation of world order, from circa 1989 until circa 2020, commonly referred to as a period of “globalization”. This period was also characterised by a brief and unique period of unipolar power in the international system for the US, featuring the retreat and ultimate collapse of its geopolitical competitor, the Soviet Union. The globalization trend saw accelerating international financial flows, the increasing integration of national economies into global value chains, technological transformation (notably information in exponentially greater volumes and speed) and increasing movement of people. In this post-Cold War world greater economic security was widely understood to be achievable through international cooperation (Cable, 1995) and such economic security was

expected to reduce the conditions that led to conflict (Bhagwati, 2004), deepening a consensus of support for interdependence. The strong global growth of most of the period included particularly strong growth in one region, East Asia, as it became fully integrated into the global economy and as its “tiger” - then “dragon” - economies became symbols of the economic and social benefits of globalized export and investment-led growth.

In the post-1989 Western discourse, however, liberal Western scholars commonly went further than Keohane’s realism in conflating the globalization trend with political liberalisation, the “end of history” (Fukuyama, 1992), in which the world was normatively expected to embrace not only the benefits of the market economy and free flows of trade and investment but the world was also expected to embrace the values of liberal democracy. This narrative was problematical even in its universalistic claims for newly liberated Eastern European countries determined to join the EU, let alone further East. In the US, which found itself the predominant global power with unprecedented influence, it was expected that even China – despite its long history as a centralised, authoritarian state – would democratise, following the apparently inevitable path beaten by other (US-influenced however) East Asian economies such as Japan, the Republic of Korea and Taiwan (Overholt, 1993). Indeed, US observers were confident that China would remain a “partial power” (Shambaugh, 2013) and could be absorbed into the so-called liberal international order (Ikenberry, 2011). US liberal thought and elite opinion was driven by a confidence that China could be encouraged to be a “responsible stakeholder” through a combination of US coercive power and reassurance of respect (Christensen, 2015).

On the ground, the East Asian governance environment was more complex than the spread of electoral democracy in some states suggested, however. Although the more successful East Asian economies adopted often highly effective technocratic and meritocratic leadership development (Mahbubani, 2020), which included elements of neo-liberal economic theory and interdependence theory, this did not mean the liberal norms of Western governance were translated to the region. Rather, semi-authoritarian governance and traditional power structures remained the norm rather than the exception across much of the region (Carroll, et al, 2020). Deep-rooted double standards of Western liberalism, which often went hand in hand with colonialism, are well-remembered by Asian elites (Keane, 2022), many of whom have been educated in Western universities, including interviewees for this research project. There was therefore a misdiagnosis at the

heart of the rather optimistic conflation of globalization with political liberalisation, perhaps understandable in a US focused for most of the period on other regions of the world than Asia, and a Europe focused on its own normative political liberalisation experiment with the development of the EU. Indeed, liberal theory appeared to fit the interests being pursued by the US and Europe but was not grounded in the dynamics at play in Asia.

An important geo-economic feature of this period, fundamental to understanding China's new trans-regional initiatives and often overlooked in US and European literature, was the consolidation in the latter part of the twentieth century of the East Asian, state-driven and trade-focused development model. The agency and innovation of leading Asian economies in seeking opportunities from interdependence, taking advantage of their comparative advantages to integrate into global value chains, became a driving factor in the globalization era. The remarkable and rapid economic modernisation in North East and South East Asia was based on an embrace of only some, and not all, principles of the so-called "Washington Consensus" pursued by the US and the Bretton Woods financial institutions. The Washington Consensus had urged developing countries to adopt market-oriented strategies. Asian growth leaders privileged pragmatism over theory, allowing for each state to judge the appropriate pace of reform and the key role of government in providing stability, infrastructure, education, industry planning and distributional aspects to manage change. At the same time, most East Asian economies increasingly embraced low tariffs and openness to foreign investment to attract capital and technology to develop globally competitive export industries, taking advantage of surplus labour as their economies shifted from agriculture to manufacturing and services (Spence, 2021). Japan became the leading investor in infrastructure across South East Asia, supporting these economies to integrate into global value chains, with a strong track record of quality, transparency and debt sustainability and, indeed, regularly scores high levels of trust as a result (Frost, 2022).

For decades, firms from the advanced economies of the "West" moved "East" to benefit from developing global value chains, to source from whichever location offered competitive advantage, exporting to the advanced economies, and consequently supercharging the growth of East Asian economies in what Bhagwati described as globalization's "race to the top" (Bhagwati, 2004). This unprecedented economic expansion of the globalization era created an Asian middle class of more than one billion,

greater than the combined population of North America and Europe. Central to this East Asian development phenomenon was the post-1978 “reform and opening up” of China, with its own adapted version of the East Asian development model, open to foreign investment but retaining a share of the economy under direct state control, with industry planning for infrastructure and technological development. Like Japan before it, China’s integration of aid and finance with its trade and investment interests reflected its conviction that it had become indispensable to globalization, and confidence in its (and East Asia’s) model (Johnston & Rudyak, 2017). China’s late modernisation allowed it to move at speed to adopt the latest technologies, brought into China by firms from the advanced economies, to train its large and adaptable workforce and to apply process innovation to become indispensable to global value chains (Shih, 2022). Critically, viewed from East Asia, this period of growing interdependence and globalization was underpinned by regional peace, in which geopolitical discourses were often eclipsed, in elite circles at least, by the perspectives of business strategists firmly grounded in mutual advantage from interdependence (Ohmae, 1991; Roach, 2007).

These East Asian development strategies were, further, positioned within an “open regionalism” of flexible, overlapping processes of economic integration, from Asia Pacific Economic Cooperation (APEC) to the recently signed Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), signalling broad commitment to complex economic interdependence. The countries of the region, displaying a tolerance for multipolarity, complexity, ambiguity and diverse political models (Mahbubani, 2020) – and indeed featuring a diversity of economic development from rich to poor, some resource rich and others relying on human capital – innovated in their international relationships by building flexible, overlapping regional platforms for cooperation and information sharing to nurture their interdependence. This East Asian innovation in regionalism diverged dramatically from the deep, universalist, political and values-driven integration project of the EU and has therefore been commonly overlooked in the literature of regionalism. Asia’s preference for less structured, less prescriptive forms of international integration with the global economy can be considered to have generated its own model of regional and global interdependence as the first of the “global regions” (Lagutina, 2019). The Association of South East Asian Nations (ASEAN) itself, while it has taken steps to formalise its economic harmonisation, remains chiefly an informal mechanism between dramatically diverse states with few codified conventions, regarded by Western realists

as weak and by liberals as insufficiently institutionalised but commonly considered by South East Asian decision makers as largely fit for purpose for pragmatic problem solving based on an assumption of diversity and rooted in the deeply-held principle of state sovereignty (Jong & Liow, 2019). Indeed the “ASEAN Way” has institutionalised a non-interventionist philosophy in a region that once experienced regular intervention by external powers and the recent experience of peace in the region had encouraged a degree of confidence that there may be less conflict between states as they become more economically interdependent and deliver mutual benefits (Copeland, 2014; Hanada, 2019).

Mahbubani (2020) represents a widely-held elite view in South East Asia confident that China’s rise might yet strengthen, rather than undermine, the international system, with East Asia’s resurgence, driven by its embrace of knowledge, internationalism and order, bringing greater respect for its meritocratic governance models and power, but in a more democratic, multipolar world. To be sure, not all agree with him and many fear China’s growing power. Khanna (2019) notes however that Asia, as the world’s new strategic and economic theatre, will not be led or financed or dominated by one power, but is more likely to pursue a new multipolar, multi-civilizational balance. In South East Asia, a long history of interaction with China tends to generate a more nuanced and multidimensional perspective on that country’s interactions with the world, with Asian scholars demonstrating a higher tolerance for multipolar complexity and experience of deploying strategies of hedging and balancing, utilising a diversity of regional institutions to co-exist with China (Mahbubani, 2020; Po & Primiano, 2021). According to such reasoning, Asians may find Asian solutions for Asian problems. This reflects post-colonial thinking that is starkly different from Western universalist notions of international order. Indeed, Khanna argues Western normative expectations that China will militarize trade in the way European powers had in previous times may be misplaced, predicting China is less likely to seek hegemony than to secure its interests within a multipolar balance. Australia’s pre-eminent geopolitical analyst White (2013), on the other hand, expects China will seek regional hegemony and that a new concert of powers will need to share power in Asia. There are some voices in the US claiming the China challenge is much more complex than the simplistic alarmism that has taken hold (Zakaria, 2019; Weiss, 2022) but appear to have little influence.

At the same time as embracing economic interdependence, the Asia Pacific remains marked by enduring rivalries and geopolitical tensions. Not only does China's growth signal greater regional and global power, but India too aspires to become a major power; Japan continues to be an important geo-economic actor and may in future reconsider the defensive posture imposed on it by the US after World War Two; Indonesia, Bangladesh and Vietnam are following similar growth and development paths as the East Asian success stories and are likely to be more significant in future. While China settled most of its land border disputes, formalised through the establishment of the Shanghai Cooperation Organisation, it continues to have serious territorial and maritime disputes with numerous Asian powers, including its controversial claims to much of the South China Sea. Other key regional flashpoints remain on the Korean Peninsula, in the Taiwan Strait and in a number of enduring domestic conflicts such as within Myanmar. East Asia was the location of some of the hottest conflicts during the "Cold War", making it remarkable that the region has nevertheless enjoyed relative peace during the subsequent period of deepening interdependence. Those regional actors integrated into Western security alliances, including Japan, South Korea and Australia, ascribe this peace to the geopolitical (im)balance assured by overwhelming US military superiority and capabilities across the region, and have traditionally feared a resurgent China, maintaining alliances to manage future risks (Muttalib, 2010; Mukherjee, 2020). These countries will continue to support US military presence, which will be resisted by China. Other regional leaders resist binary narratives (Lee, 2020). Within the region, then, are dual trends towards a realist balancing geopolitics and, at the same time, an equally realist multipolar economic interdependence. It should be noted that notwithstanding the emergence of Asia's massive middle class, the regional growth story masks significant internal risks of future social discord and political crises, given the region's youthful populations but ageing leaders, corrupt and potentially fragile authoritarianisms, and a rapacious billionaire elite presiding over deepening inequalities (Shastri, 2021).

To be sure, rising China is changing the balance, and inevitably this has generated geopolitical responses, even to what may in many cases – to date, at least – have been primarily geo-economic initiatives. Even if China has not (yet, at least) acted as aggressively as former rising powers in security terms, it began to be widely expected to wield greater regional and global power through commerce and economic infrastructure (Frankopan, 2015; Mações, 2019). The rise of China and its impact in the regional and world system became particularly prominent in the international economic discourse by

the time of the financial crisis in the US and Europe in 2008. In that year China accounted for half of global growth, which moderated to a still powerful third of global growth in subsequent years. In 2009, China overtook Germany to become the world's leading exporter and by 2010 it had surpassed Japan to become the second largest economy in the world. Economists began to regularly publish forecasts that China was on a trajectory to overtake the US economy and to provide a competing source of global economic power. This had more than economic consequences, although economic power was at the heart of the change underway.

For the first time in decades, the US found itself facing a peer competitor, a major power with capabilities and intent to become a leading player in the global economy and with potential to build commensurate power in the international system. Further, a period of US domestic political dysfunction following two decades of widening inequality at home and failed military adventurism in the Middle East created a popular narrative that the world's sole superpower was in decline. This discourse was not the first time the US had been imagined to be in decline (and therefore we should be cautious in accepting its inevitability). As will be discussed below, the new Western discourse returned, for the first time since 1989, to an expectation that the new world order would revert from a unipolar system dominated by the US to new bipolar power struggle between the US and China. This had the effect of sweeping away decades of confidence about complex interdependence. Whether the world was returning to a bipolar "Cold War" remained however unclear. Acharya's study of *The End of American World Order* (2018) suggested instead that the complexity of interdependence, diverse sources of power including multiple states and non-state actors as well as the resilient norm-setting power of post-war institutions, were more likely to produce a "multiplex" without a hegemon. The shape of the evolving world order remains, however, uncertain.

2.2 The crisis of interdependence

Interdependence was in crisis by 2020, amidst rising nationalisms, a trade war, geopolitical confrontation, pandemic, failure to arrest worsening climate change and declining trust all round. World order was manifestly under stress. While the so-called liberal international order had arguably never extended beyond the rich world (Ash, 2020), the US had – during the globalization era discussed above – exhibited confidence in its universalistic mission to lead the world. It was widely observed to possess unrivalled

“hard”, “soft” and “smart” power (Nye, 2011). Following its financial crisis of 2008, however, US confidence appeared to collapse. A growing awareness of the deep internal cleavages generated by decades of compounding structural inequality (Manyika, et al, 2019) appeared to explain a growing climate of fear and blame amongst demographically significant constituencies in the US, who had not benefited from the dramatic improvement in global equality ushered in by East Asian growth (Milanovic, 2020). A new populist politics took hold, sceptical of interdependence and hostile towards international organisations and norms, asserting that China was gaining at the expense of US manufacturing and blaming China for its merchandise trade deficit (Thompson, 2020; Weiss & Wallace, 2020). The withdrawal of the US from the Trans-Pacific Partnership (later the CPTPP), its trade war with China and vetoes preventing the operation of the WTO appellate process, amongst other measures, indicated the US had abandoned its earlier confidence in globalization and interdependence and even elements of the liberal international order over which the US had presided. Its former commitment to economic openness and multilateral institutions as key components of the liberal international order appeared to be replaced by a new trend of protectionism and sphere of influence great power politics (Ikenberry, 2018).

Domestic ideological battles in particular appeared to muddy the US world view. This ideological tendency in US narratives is important to understand as shaping the international discussion about rising China as the likely next great US global challenge, following America’s previous focus on defeating international terrorism (and, before that, defeating international communism). Despite the neo-conservative origins of two decades of failed US attempts at regime change in the Middle East, a narrative of “liberal hegemony” was commonly blamed for imperial over-stretch, based upon the unrealistic expectation that the US could make the world in its image (Mearsheimer, 2018). Kissinger had long described how the US acts on realist imperatives but often describes its actions with liberal intentions (Kissinger, 1994). Walt argues that liberals and realists alike have traditionally tended to characterise America’s rivals as illegitimate, which inevitably leads to a push for regime change and often war, rather than to address the geopolitical and interdependent factors driving rivals’ actions (Walt, 2020). Just as the liberal US narrative that its interventions in the Middle East were about democratic institution building appeared to have been widely believed in the US (McKeil, 2021), Americans also became disillusioned that China had not embraced liberal democracy,

following Xi's hardening authoritarianism in China and Trump's embrace of "strategic competition" with China.

The liberal narrative of disappointment China was not Westernising as it was modernising, conflated with a neoconservative narrative that it was impossible to build strategic trust with an authoritarian China, appear to have led to the collapse of the earlier bipartisan consensus for pragmatic interdependence with China. Trump's Secretary of State Mike Pompeo described the previous decades since Nixon's opening to China as "blind" engagement (Pompeo, 2020). While at the most basic geopolitical level, the underlying power shift taking place appears to have stimulated a change of US strategy in an attempt to slow or reverse that shift, US opinion leaders have positioned the change as a battle of values. Pompeo and other senior members of the Trump administration evoked Reaganite imagery of a revisionist Chinese empire that posed "threats to Americans", a narrative widely adopted in presenting China as an ideological rival seeking to export its authoritarian model to dominate the world (Harper, 2017; Brands, 2019; Friedberg, 2020; McMaster, 2020; Paterson, 2020; Seddiq, 2020). By 2020 a common refrain in US-originated narratives warned China was weaponizing everything, from globalization to the Covid-19 virus, in its challenge to US power (Spaulding, 2020).

Throughout the previous half century, since the US adopted Kissinger's strategic engagement with China, the US had retained a massive asymmetric advantage in the power balance, but by the financial crisis of 2008 it had become evident even to those who not familiar with East Asia that the balance was changing. Even though the US retained an overwhelming superiority in global military power, China was rapidly modernising its own military and indeed staked its regional interests as a major power by militarising disputed islands in the South China Sea, through which much of its (and the world's) maritime trade flowed (Lague & Lim, 2019). The US had since the Second World War maintained exclusive sea control in the Pacific, but China's growing maritime capabilities now established it as a rival (Wesley, 2020; Gill, 2022). China also began engaging in increasingly abrasive diplomacy, rejecting Western assumptions of leadership and seeking recognition of China's place in the world. Although China's actions were not (yet, at least) as dramatic as the historic actions of rising powers in the past, such as Japan's invasion of China, the US claim to hegemony over the Western Hemisphere in its Monroe Doctrine or European colonialism, the more assertive Chinese actions nevertheless unnerved many of its neighbours and particularly the US. Further,

the Chinese actions reflected an emerging opinion within China that it should become more assertive as a major power (Feng, et al, 2019) and its brusque “wolf warrior diplomacy” mirroring Trump-style communications reinforced an image of offensive and even aggressive intent. While China had in recent decades exhibited a realist understanding of its limited power, by the second decade of the century it was starting to be offensively realist about testing its growing power in the new balance.

Mearsheimer’s (2014) “offensive realism” asserted that we should expect rising China will inevitably seek to dominate Asia and then project power globally, and that the US and its allies will collaborate to contain China’s rise. This theoretical framework became increasingly influential in the international relations discourse as confidence in interdependence with China declined, with regular assertions that China was indeed asserting regional hegemony and seeking global power (Green, 2021). Mearsheimer’s thesis rejected decades of confidence in interdependence, with his argument that states will privilege security over prosperity and should not be expected to act in the interests of those who have benefited from economic interdependence, particularly if core security interests are at stake (Mearsheimer, 2018). US President Barack Obama’s 2012 “pivot to Asia” and the election of Donald Trump as president in 2016, on a wave of populist anti-China sentiment, were milestones in the rhetorical and strategic shift away from economic-driven engagement to security-driven competition, an apparent embrace of the Mearsheimer thesis. A new US National Security Strategy designated China a “strategic competitor” (US Government, 2017). Allison’s *Destined for War* (2018) was widely misread as claiming Thucydides’s Trap would generate an inevitable clash between China and the US, despite a closer reading revealing conflict was only one of Allison’s scenarios. At the same time, a new geographic narrative was adopted to mirror the continental geopolitical concept of “Eurasia”, by replacing the “Asia Pacific” with a new maritime geopolitical concept, the “Indo-Pacific”, representing a semi-circular collection of rivals encircling China, stretching from India to the US, including Australia and Japan (Medcalf, 2020). Scholars and observers remain unclear on whether the overarching US goal in this new strategic competition to influence how China acts as an emerging major power, to maintain US influence over large regions of the world, to mobilise a dysfunctional domestic polity to restore American confidence or whether it seeks to prevent China from rising further. It is too early in the strategic competition to assess the coherence or success of US strategy (Nathan, 2022), but some key features of the new contest have had measurable impacts on the global system.

Economic warfare was deployed by Trump to undermine economic interdependence with China. The US, which had amassed a huge, debt-fuelled trade deficit with China, launched a trade war including tariffs against Chinese goods, export controls to choke key Chinese supply chains such as advanced semiconductors and a campaign of economic coercion against leading Chinese firms such as Huawei and ZTE. People-to-people links were also severed, with new restrictions spanning migration, media and scientific collaboration. Trump encouraged a discourse of “decoupling” from China, eagerly taken up by think tanks and media across the West (Rogelja, 2020) but generating little academic literature, at least so far, as the US and China remain in fact deeply interdependent. Even in much-vaunted areas such as potentially “weaponized” technology, it is widely considered a significant practical challenge to decouple from the globally connected, digital economy (Riecke, 2020). Yet, even as untangling interdependence appears much more complicated than geopolitical commentators suggest, both the US and China have begun to see their interdependence as no longer a source of stability, but rather as a source of vulnerability (Wyne, 2022).

During the Trump years, the US began to withdraw from elements of the liberal international order in the belief that global cooperation was not in US interests and, further, that globalization and global institutions had benefited rising China. By the election of Joe Biden as president in 2020, a consensus appeared to be developing in the US that China’s vision for world order was incompatible with that of the US and therefore there was no return to optimism about interdependence. The new, emerging consensus of conservatives and liberals on the China question was based not necessarily on an expectation that China would seek global domination or export its authoritarian domestic governance model (although many believed that) but where there was common ground was in relation to the risks of interdependence if – as widely believed – China’s geo-economic mission was to create a web of dependent partners able to be coerced to serve Beijing’s interests (Rolland, 2021). This fear appeared to be drawing the US away from its historic support for the multilateral trade system (which to be sure had often been inconsistent in application) and towards a new mercantilism, mirroring the worst of the actions for which it criticised China. Biden doubled down on Trump’s economic warfare against China, with tit-for-tat competition growing at the time of writing, including expansion of US sanctions against China and, in response, Chinese sanctions for firms and individuals who cooperated with the US sanctions. In this highly charged

competition, economic and geopolitical and domestic human rights concerns were all frequently conflated. For the first time the US Government even began warning firms of risks in operating in Hong Kong, long considered amongst the “freest” economies, but now with human rights concerns conflated with business risk because of the city’s new national security legislation targeting political opponents (*Financial Times*, 2021).

The crisis of interdependence has come at the same time as new technologies promise to digitalise manufacturing and many services, connecting devices and making decisions utilising Artificial Intelligence (AI), transforming supply chains and involving individuals, firms and nations everywhere in an even more complex web of global interdependence. Indeed, such interconnected technologies are likely platforms for new sustainable industries and supply chains to address the global challenge of climate change. New technology is particularly important to developing nations, which will have fewer opportunities than earlier developing nations to leverage manufacturing for growth and will need to jump to higher value economic activities (Spence, 2021). China is actively positioning itself to be a leader of these new transformational technologies. The US measures against Chinese technology companies and export controls on key technologies to China have subsequently splintered technological interdependence in some critical areas such as advanced semiconductors.

The apparently inexorable rise of China had begun to generate deep anxiety in the West by around 2020, with public opinion of China plunging at the same time as the Covid pandemic spread across the globe. The West that prospered in a bipolar world order, and then a unipolar order, has no experience of existing comfortably in a multipolar order, which the rise of China, India and other emerging economies suggests is well underway. The US has subsequently doubled down to fight a normative, narrative war against China, which along with a parallel disillusionment in multilateralism, rule and norm making, may generate further confrontation and potentially conflict. Each point of interdependence with China has become framed as a security threat. This has created a new “culture of fear”, a secular existential anxiety that catastrophises what otherwise may be manageable risks, akin to the culture of fear that Furedi characterised in Western society of the twentieth century interwar years, a time of moral panic featuring cultural pessimism, the undermining of expertise and rising extremism (not to mention global power shift and influenza pandemic) (Furedi, 2018). That culture of fear of one century ago does appear to have returned in a new form.

Yet the threat and fear discourse, with its generalised securitisation of each point of interdependence with China, overlooks the complexity of forms of economic interdependence. A Rhodium/Bertelsmann Foundation study found over 80 per cent of EU imports from China and over half of EU exports to China have no national security salience, including items such as automotive parts, food and beverages, luxury goods and many kinds of machinery and industrial goods. Risks do arise, however, in investment, in sensitivities around data, critical infrastructure and emerging technologies (Kratz, Mingey & Rosen, 2021). Whether identifiable risks can be separated from areas of normal complex interdependence, and such risks managed through formal processes of risk assessment, or whether all must be conflated with geopolitical discourse as in recent years remains at contest.

There is little space in the current pessimistic discourse for discussion about what future good global governance might look like in cooperation with China, and certainly few voices outside China suggesting that China's institutional entrepreneurship provides any of the answers (China's new initiatives, on the contrary, are framed as threats to the liberal international order). Yet just as in the globalization era, it appears likely that Asia will innovate and contribute to global interdependence in different ways than Western policy prescriptions, which may yet reform the international order rather than dismantle it. A normatively sceptical understanding of China's evolving approach to world order is therefore critical.

2.3 China's vision of a Community of Shared Future

While the international relations literature based on the experience of US-led (and, before that, European-led) world order exhibits expectations of how China will act, there is no guarantee that established theories will accurately diagnose the opportunities, risks or threats of either the transition period or the new world order, in which China may well play a major power role. China's leadership decision making remains opaque to outside observers, as a confusing fusion of authoritarianism with meritocratic and technocratic risk management (Huang & Henderson, 2022). China has its own discourse constructing an exceptional role for itself in the new world order, deeply rooted in the tendency of Chinese elites to think in long-term time horizons including a visceral memory of more than a century of "humiliation", a new optimistic narrative of national "rejuvenation" and

confidence in China's potential to be a stabilising force to support global development, which borrows heavily from interdependence theory itself, as well as traditional Chinese culture.

China is not just another Westphalian state, but a civilisation state that imagines itself as having a continuous history of thousands of years as the natural centre of the world (Jacques, 2012). While China's leaders plead acceptance of multipolarity in the contemporary world, some observers believe a resurgent China will naturally seek a return to "tianxia", dynastic rule of "all under heaven", reminiscent of how the Chinese empire in some historical periods required tribute from other entities and acknowledgement of Chinese centrality, in return for respecting tributary states' sovereignty and providing economic and other benefits (French, 2017). In this reading of Chinese intentions, stated commitment to interdependence may be perceived as a cloak for Chinese hegemony. But structural factors in China's highly contested region may constrain it from achieving any new tianxia-style hegemony, even if it desired such. China is understood by most observers from within the region as "Prometheus bound" (Raby, 2020), a giant but surrounded by rivals, dependent on the import of resources, wracked by internal instability on its borders and therefore focused on both internal stability, a bounded order in its neighbourhood and external economic connectivity. China has 22,800 kilometres of borders with 14 countries and, while it has settled most of its land border disputes which has somewhat stabilised its security, it faces instability on its border with India, serious instability in Myanmar, danger of instability in nuclear-armed North Korea and a Taliban-controlled Afghanistan. It also has maritime disputes with Japan, Vietnam, Brunei, Malaysia and the Philippines and of course the central problem of Taiwan. With all of these constraining factors on its borders, China may be more likely to seek geo-economic power through complex interdependence than embarking on traditional geopolitical power accumulation through conquest, at least in the foreseeable future. It may therefore act quite differently from previous rising powers. This suggests a rethink may be required in understanding the next phase of world order.

China, itself, faces a set of contradictions that may yet constrain its ability to become the global strategic rival that the US fears and that drive it towards a combination of interdependence and self-reliance. Economic development has been a higher priority than defence expenditure for sound reasons, chief amongst which is regime survival. Indeed, China's authoritarian party state's internal legitimacy is widely considered to rest on its

ability to deliver continued economic, not geographic, growth. Until the Covid-19 crisis, it had delivered on that promise, with the national economy growing strongly for decades, its middle class growing by hundreds of millions and the adoption in contemporary culture of a party state-inspired “Chinese dream” of prosperity and restored national prestige, to be a “great, modern socialist country in every dimension” by 2049 (Han, 2017). Most of that new middle class has a strong stake in continued stability and growth, including integration with the world. In the last two decades, influential Chinese scholars developed a discourse of “China’s rise” and the success of its model of state-driven development (Ownby, 2021), which became firmly lodged in international narratives. China has yet, however, to prove that it can break out of the so-called middle-income trap and build advanced financial, education and innovation systems.

China remains a developing country, although is perhaps better described as an emerging economy. China’s per capita Gross Domestic Product (GDP) was US\$12,556 in 2021 (World Bank, 2022). This places China at the upper end of so-called developing nations. The term “developing nation” is generally recognised to be self-defined and China continues to describe itself as such. Further, the high level of inequality in income dispersal generated by its rapid growth means that for many sections of Chinese society it remains a developing nation, even while in some of its industries, major cities and in its financial power, China is considered to be in the process of graduating to the ranks of the developed nations. China’s self-description as a developing nation will be used here not as an endorsement of the term, but in recognition of its relevance to China’s championing of the developing nations in its normative challenges to the international system, to be discussed further below.

Other challenges for China include the rapid ageing of its population. Further, even though China has become more assertive, with its “wolf warrior” diplomacy and more aggressive military positioning in its region, it has built little “soft power” (Green & Medeiros, 2020; Yan, 2020), at least in its relationships with the advanced economies, where distrust is growing into structural competition, even if many developing countries welcome the public goods offered by the BRI and other Chinese initiatives (Yagci, 2018). China also faces continued challenges to its authority on its periphery, from Xinjiang and Tibet to Hong Kong, and the emblematic problem for Chinese nationalism of Taiwan. At the time of writing the Chinese government’s extreme focus on sustaining zero Covid-19 through lockdowns and extended quarantine, long after the rest of the world had

developed strategies to live with the virus, was also generating deep dissatisfaction in key urban areas of Shanghai and Beijing. In each of these challenges, the party state's authoritarian inclinations simply compound its problems and provide no reassurance to the world of China's capacity to tolerate diversity or uncertainty.

Nevertheless, the steady rise of Xi Jinping has manifested as the party state's conviction to double down on its hybrid Leninist/Confucianist governance model (Brown, 2018), maintaining order and stability above all else, in pursuit of the national rejuvenation narrative and its parallel international agenda which includes the Belt and Road and other connectivity platforms, seeking a greater role for China in global governance. Under Xi, China has exhibited greater confidence to act as a major power, unperturbed by Western value judgments (Brown, 2022). In 2021, the Communist Party of China commemorated its centenary amidst increasing authoritarianism, with scholars noting China's leadership appeared convinced of the superiority of its governance model. It remains uncertain whether its latest phase of centralising power indicates fragility or strength in the face of challenges in the new international transition (Drinhausen, et al, 2021). It reflects a determination not to repeat the mistakes of Gorbachev's Soviet Union or China's century of humiliation at the hands of Western powers, evident in an unrelenting alertness to any hint of Western intervention in what China considers to be matters under its sovereignty. In China, this is irrefutably the era of Xi and, if historic global shifts are popularly understood as identified with leaders, his period of leadership is becoming symbolic in China of its new strength in the international system, just as the disruptive, chaotic and ultimately brief leadership of Trump was popularly perceived as marking US decline. If the rise of China is likely to continue, it will be important to understand the world order envisaged and expounded by Xi and the elite that he represents, or at least to the extent that such understanding is possible given the opaque nature of the Chinese political system.

Xi's narratives and initiatives for a future world order are characteristically broadly conceptual and long term in nature, while still appearing to some observers vague and ill-defined in the short term. Nevertheless, as narratives issuing from the all-encompassing party state, they are particularly useful to understand as providing the parameters for foreign policy development and actions (Varrall, 2015). They represent important attempts by a more confident China to shape new norms and narratives on the international stage, coupled with practical initiatives such as the BRI. Chinese leaders

commonly outline a broad vision and the details are filled in over time, as practical initiatives are rolled out and as reactions and risks are assessed. While China's international initiatives are frequently represented in Western discourse as illegitimate because they are based on Chinese rather than liberal norms (Tobin, 2020), the Chinese narrative envisions them as a contribution to a new world order built on mutually beneficial deeper interdependence. As such, they are represented in Chinese discourse as coherent contributions to Xi's vision of a "community with a shared future", which envisages a new model for great power competition, a shift away from traditional security thinking towards common ground "win-win" outcomes, international equality for different civilizational philosophies, and a new commitment to ecological balance (Liu, 2020).

Central to the Chinese narrative of new thinking in international relations is the common assertion that China has never been and never will be an aggressor or seek hegemony (Zhou, 2020; Xi, 2021). Regardless of the dubious historical accuracy of this narrative, it is often-repeated and sets the broad parameters of China's international initiatives and concept of a Chinese exceptionalism, just as the US narrative of its own exceptionalism sets the broad parameters for its "liberal international order".

The Chinese concept of world order is further based upon traditional developing nation principles embraced as early as the 1955 Bandung Conference: peaceful coexistence, independence and non-interference (Wang, 2015). In its claims to greater consistency in application of non-interference, the Chinese "shared future" could be understood as a further development of the Westphalian model, taking a concept that previously privileged European nations and their new world creations, and extending it to the whole international system. While this was the promise of the US concept of world order developed in the post-war period, Chinese (and many in the developing world) perceive the US-led liberal international order as rather inconsistently imposing Western values including foreign intervention, while the Chinese version of world order claims not to impose values or infringe in any way on national sovereignty. China has for some decades positioned itself as a champion of national sovereignty, with this featured as a central principle of its foreign policy. The Chinese global vision therefore, while not liberal, claims to propose a more democratic international order. It claims to build on, rather than replace, the Western-led world order, while determined to no longer be a rule-taker in the international system (Fu, 2013). What this really means in practice as China gathers more

power in the international system remains a work in progress, but it is being interpreted in the West (and in some quarters in China) as a looming clash of values.

In seeking a stabilising role for resurgent China, leading scholars such as Wang Jisi urge a discourse of common interests rather than a focus on conflicting values, noting the risks in the current geopolitical climate and that it is difficult to manage risks by reaching compromise solutions when a dispute is framed in terms of values (Wang, 2019). This confidence that interdependence can be achieved through focussing on mutual interests is based upon the widespread assumption of elite opinion in China, including realist scholars, that China poses no security threat to the US or to other countries. Nevertheless, a common belief appears to be emerging within China that the US is locking itself into a new strategy to contain and constrain China, seeking to not only attack its geo-economic and strategic vulnerabilities, but to undermine its stability and system of governance (Wang, 2021). In the Chinese narrative, the recent US shift in strategy constitutes a threat to economic interdependence, with widespread fears that the US may in future blockade trade in the South China Sea and, further, pose the greater threat to global peace with its regular military adventurism, while the academic discourse mirrors the claims of political leaders that the Chinese civilisation state has no desire for hegemony and indeed has fought no war since 1979 (Deng, 2020; Zhou, 2020). Events such as the Russian war against Ukraine and the Western response (commonly conflating China with Russia as a threat) appear to have further reinforced fears in China that it must prepare for the worst, and expect possible conflict with the US, according to a newspaper report of comments from a leading think tank at Renmin University, Chongyang Institute for Finance (*South China Morning Post*, 2022, June 1).

It might appear to observers of the contemporary decline into geopolitical confrontation that the structural competition embedded in the US world view – regardless of China’s stated commitment to interdependence – may generate in China the more aggressive rising power that the West fears. If both the US and China are steeling themselves for structural competition, they may become trapped in the prisoners’ dilemma and produce sub-optimal outcomes for all parties (Papic, 2020). The Chinese narratives are certainly deeply distrusted in the traditional powers. Chinese observers commonly interpret Western cognition to be impaired from comprehending China’s commitment to a long term, interdependent role in world order, noting Western reactions appear affected by not only normative frameworks but manifest in emotional rather than scientific responses to

crises such as the Covid pandemic, domestic political dysfunction; spring from media and social media discourse that has become disconnected from concepts of truth; and, further, reflexively grasp for certainty in theory rather than pragmatically dealing with empirics (Li, 2020). Realist scholar Jiang (2020) represents a common view that US-China structural competition is inevitable, that the US has moved to take advantage of a short-term opportunity to contain China, and that China must therefore steel itself with political cohesion and cultural self-confidence to forge a new great power relationship in time. Internal critic Deng (2020) argues that Xi's hardening "statism" is partly a response to US attempts at containment of China's rise, mobilising the population to bandwagon with a Communist Party that will in turn need to evolve to maintain its legitimacy. Although rhetorically committed to global integration, China under Xi has pivoted to a new focus on "dual circulation", giving at least equal attention to national self-reliance, backed by a more nationalist and ideological agenda.

One of the critical problems in assessing motives and predicting future scenarios is that Chinese decision making remains opaque and unfamiliar to external observers. The Chinese Government's response to Covid-19, both its characteristically authoritarian cover-up of early local missteps, its later successes in containing the outbreak within China, and then excessive control measures demonstrated two sides of the same coin (McGregor, 2020), alerting many non-China watchers in the West for the first time to China's authoritarianism and its massive capability to mobilise. Neither provided reassurance in the face of pandemic, as the virus spread around the world and similar fearful responses might be expected in the face of other crises. Further, China's clumsy international public relations campaigns including aggressive "wolf warrior diplomats" (Maçães, 2020) in response to equally aggressive US rhetoric (Spaulding, 2020) have contributed to a growing pessimism about the prospects of international cooperation the next time the world faces a crisis and contribute to fear of China's role in a new world order.

Chinese scholars including internal critics such as Deng do not see China as a challenger to the international order in a zero-sum game, as feared in the US discourse, and retain confidence absolute gains can be achieved through increased Chinese participation in global governance. A widespread judgement in China that the US is in relative decline informs the debate about how China will wield its increasing influence. This is not perceived as a showdown with the US, but rather a new accommodation, as the US is still

widely considered within Chinese elites to be still by far, and for some time yet, the dominant global power (Fu, 2017; Feng, et al, 2019). It has been suggested nevertheless that the dysfunction of the US in the Trump era and indeed US and European mismanagement of the Covid pandemic convinced China's leaders the power transition to Asia will occur faster than expected (Mações, 2020; Shi, 2020). Huntington's *Clash of Civilisations* is widely read in China and indeed the geopolitical competition is understood to be about identity as much as power, with the US representing Western civilisation and democracy, while China perceives itself as representing Eastern civilisation and the developing world (Wang, 2020), seeking a new balance.

External observers expect China's leaders will remain geopolitically focused on building capabilities in areas of strategic vulnerability and seek a Sino-centric system of maritime security, regional trade routes and new technologies (Gokhale, 2021). China was the first power to begin building new military bases after the end of the cold war, strengthening its reach into the South China Sea from Hainan and artificially constructed islands in disputed waters of the South China Sea as well as along the East China Sea, which has stimulated new base-building by Japan, Vietnam, South East Asian powers as well as a more muscular US response (Chang, 2022). In the wake of the shift in Western strategy and opinion against China, there has been a lively academic debate in China that perhaps its government has over-reached, seizing opportunities too soon and generating as a result a backlash in the West (Pu & Wang, 2018). On balance within China, though, its scholars more commonly present its leaders as more focused domestically on China's economic development goals rather than great power expansionism, cognisant of the risks of triggering a backlash that would damage China's growth trajectory (Yan, 2021). It is difficult, and beyond the scope of this research, to assess China's likely long-term military ambition.

To date, China has been a major beneficiary and therefore advocate of economic interdependence and of the multilateral system that underpins it. Xi has taken up the mantle of champion of globalization and the right of the developing world to benefit from access to markets and to share in global decision making. China has positioned itself as a supporter of global institutions such as the WTO and WHO, while to be sure protecting national interests, while the US in recent years sometimes undermined the same multilateral institutions in its pursuit of a nationalist "America first" agenda built on a perception that the US has been losing out from interdependence with China. This thrust

China into the position of champion of multilateralism, providing it with a platform to advocate for further democratisation of world order. At the World Economic Forum at Davos in 2017, Xi famously made a comprehensive defence of globalization, while noting the inadequate representation of the emerging and developing economies in global economic governance and that rules had not kept up with new industries, proposing that only his concept of a “shared future” could embrace converging interests and interdependence (Xi, 2017). At Davos in 2022 Xi repeated his frequent description of the world “undergoing major changes unseen in a century” and again pledged support for multilateralism, an open world economy, as well as rules for the digital economy (*Xinhua*, 2022, January 17).

As a practical example of China’s growing role in global governance, an interviewee from an international civil society organisation, the International Federation of Reproduction Rights Organisations (IFRRO), recounted how China had previously little enforcement of copyright but that its active role in recent years revising laws and seeking compliance coincided with a positive engagement with the IFRRO, even encouraging the organisation to have input into Chinese legal reforms.

Xi has outlined broad frameworks for development and common security, in a series of initiatives, including proposing a Global Development Initiative at the BRICS Summit in 2021 and a Global Security Initiative at the Boao Forum in 2022. The Global Development Initiative pledges a series of Chinese development funding initiatives aligned with the UN 2030 Agenda for Sustainable Development (MFA, 2022, June 24) and, like the BRI, has had more than one hundred countries across the developing world eager to sign up (Akeredolu, 2022), building its norm shaping influence further. The Global Security Initiative is an even bolder challenge to US global power, eschewing alliances and described by influential Chinese think tank, China Institutes of Contemporary International Relations (CICIR), as a rejection of absolute security at the expense of others (as exhibited in traditional great power competition), in favour of a cooperative security concept that understands humankind as one indivisible security community and adopts the traditionally stated Chinese principles of “sovereignty and territorial integrity of all countries, non-interference in other countries’ internal affairs, and respect for the development paths and social systems independently chosen by the people of each country” (Chen, Dong & Han, 2022). The reassuring language fails to reassure observers in the West. That the term “indivisible security” aligned with Russia’s

rhetoric as it invaded neighbouring Ukraine, following China and Russia entering into a “no limits” partnership in early 2022, reinforced the commitment to systemic contest in the West in response to China’s narratives.

China’s rise, its proclamation of a “shared future” and its geo-economic initiatives to fund infrastructure connectivity across the developing world and to become a leader in transformative digital technologies, in the context of the shifting world order, raise a range of fears across the neighbourhood, but Asian responses should not be assessed only through Western eyes. Asia’s scholars as well as its governments, as noted above, tend to exhibit a high tolerance for pragmatism, complexity, ambiguity and multipolarity in the region (Mahbubani, 2020), rather than echoing Western normative, binary narratives. Viewed from within the region, there is much more going on than simply US-China contest. None of the major actors in the region would be expected to passively allow China to become strategically dominant but neither will most align with the US against China. The region of the world with the largest population, long either isolated, conflict-ridden or colonized, has enjoyed compounding benefits from its turn to both regional interdependence and trans-regional, global interdependence with the advanced economies. The growth of Asian economic power and trans-regional economic interdependence has become a key feature of the shifting international system. This phenomenon was made possible by the stability of the region as guaranteed by the US security umbrella as well as open markets, and could be described as the inevitable result of neoliberalism pursued by the advanced economies. At the same time, the prosperity of the region is now increasingly bound up with China’s prosperity and peace and cooperation are therefore likely to be prioritised, at least most of the time, over geopolitical confrontation and conflict.

Chinese and a diverse set of other regional leaders can be expected therefore to perceive benefits from continued engagement in complex interdependence at the same time as risk mitigation, within an ongoing geopolitical power shift. Risk management at the same time as geopolitically competing has been characterised as “cooptation” (Kruck & Zangl, 2020). As noted above, Asian states may be more likely to exhibit a tolerance for diversity and complexity as a new multipolar order emerges, while a paradox of contemporary international relations is that the traditional powers maintain a normative, deterministic framework for world order that appears unable to tolerate a greater role for China in global governance unless China changes to become more like the West (Kavalski, 2020).

The following diagram attempts to reflect this paradox by depicting worst and best-case scenarios in the contrasting geopolitical and interdependence discourses and demonstrates the role of risk management (which might be understood as operating in the interplay of both competition and cooperation) in the more likely array of scenarios in between the worst and best-cases.

Worst-case scenario	← Balancing risks →	Best-case scenario
<ul style="list-style-type: none"> • (US discourse) Increased Chinese power, regional and later global hegemony • (Chinese discourse) Containment and confrontation of China by strategic rivals 	<p style="text-align: center;">Geopolitical balance of power pursued through deploying all means of power for achievement of national interests</p>	<ul style="list-style-type: none"> • (US discourse) Unipolar, liberal order with US hegemony • (Chinese discourse) National rejuvenation within a multipolar order, without hegemony by any actor
<ul style="list-style-type: none"> • Dominant state pursues and achieves zero-sum outcomes 	<p style="text-align: center;">Interdependence pursued through bargaining, utilising international organisations, norms & rules, for achievement of national interests</p>	<ul style="list-style-type: none"> • States pursue and achieve positive sum outcomes

2.3.1 Table 1: World order risk framework

In the absence of any signs that the leaders of the US and China will succeed in reaching agreement to share power and to find an accommodation of each other’s interests, international actors must identify, analyse, assess and seek to balance risks of major power contest, confrontation and possible conflict and the reverberations of such risks throughout the other multiple disruptions underway in the global system.

Further, in between the US-led discourse of strategic competition and the Chinese discourse of benign interdependence, much of the developing world is in the process of engaging with the BRI and associated Chinese institutions and actors. Assessing risks and opportunities (and indeed threats) must therefore necessarily take into account factors that

will be more complex than the binary options presented by the two contrasting discourses, rather exhibiting complex dynamics with multi-stakeholder interests at play.

2.4 Investigating risks and opportunities on the Belt and Road

The speeches that Xi Jinping made, as China's new leader, in late 2013 in Kazakhstan and Indonesia, outlined a vision of new corridors of geo-economic integration, described as "new silk roads", a Eurasian "Silk Road Economic Belt" and a "21st Century Maritime Silk Road". More than a year later, a comprehensive document was issued clarifying the vision, notably not from Beijing's Defence or Foreign Affairs Ministries but from China's key economic planning body, the National Development and Reform Commission (NDRC, 2015). Five key components are envisaged to build closer interdependence with partner economies: infrastructure connectivity, policy coordination, trade, financial integration and people-to-people links. The Chinese narrative envisions what has become known by the umbrella term "Belt and Road Initiative" (BRI) as an integrating trans-regional cooperation mechanism at the heart of China's framework of international engagement, contributing to a new world order, the "community with a shared future" discussed above. The Chinese discourse exhibits a confidence, fostered by the East Asian development experience, that economic development and deepened interdependence will build security both for China and for its partners (Hameiri, Jones & Zou, 2019). The BRI has been observed to build not only economic power for China, but structural and discursive influence as China becomes a major creditor and investor in the developing world (Ho, 2020).

The BRI was built upon a diverse set of existing projects and has been extended over time to include a wide range of Chinese financing and implementation of projects in partnership with more than 125 governments keen to access Chinese capital, expertise and markets. The greatest concentration of major road, rail, port and other connectivity projects is in South East, South and Central Asia, but there have also been a wide range of projects extending to Africa, Europe, South America and the Pacific islands along six key economic corridors (World Bank, 2019). The BRI is attractive to much of the developing world because it addresses both the persistent deficit of infrastructure finance, which traditional sources of finance have not met, as well as offering more flexible government-to-government agreements on priority projects with less conditions than the highly prescriptive approach of traditional funders. It is perceived by developing country

leaders as more stakeholder-centric, not a feature of traditional sources of finance (Liu, 2022). While loan terms from China's development banks are typically commercial, they are often more competitive than private finance. Bilateral loans are typically more costly than traditional donor funding or multilateral development bank lending, but these funders have largely been absent from infrastructure during the globalization period, with the exception of the Asian Development Bank (ADB). Like Japan before it, China has become an important partner for development finance. Developing countries have built more trade with China than with the US in the globalization period and tend not to accept the "China threat" narrative, given the almost universal approval in the developing world of China's foreign policy principle of "non-interference" in the domestic politics of other countries (Gunter & Legarda, 2022).

The BRI seeks to realise the significant potential for further trade development in the developing world by harnessing China's new deep reserves of foreign currency, its surplus capabilities and expertise in infrastructure connectivity and its demand for market expansion. Numerous studies have found the BRI is likely to have a positive impact on global development, in particular if projects are well governed, implemented sustainably and create more efficient, resilient and inter-operable connectivity (ESCAP, 2021). On a global level, the World Bank estimates that trade in the BRI economic corridors is currently 30 per cent below potential and foreign direct investment is 70 per cent below potential, with countries of East Asia most likely to benefit from the BRI. The World Bank also notes benefits will be greater for countries engaged with the BRI if they adopt transparency, expand trade, ensure debt sustainability and mitigate environmental, social and corruption risks (World Bank, 2019).

As a network of bilateral agreements, the BRI can be understood as complementary to Chinese institutional entrepreneurship (Benabdallah, 2018) in developing new international organisations such as the Shanghai Cooperation Organisation, the New Development Bank and the Asian Infrastructure Investment Bank (AIIB), the latter to be discussed further below. Yet unlike those organisations with precise missions, structures and transparent operations, the BRI has remained somewhat of a slogan applied to Chinese economic cooperation with a diverse range of partners across a perplexing diversity of projects. Viewed in the regional context, the lack of structure and formality of the BRI is unsurprising, facilitating maximum flexibility for China and bilateral partners to negotiate projects that meet mutual needs (as judged by decision makers, at

least), representing a new overlay of economic integration, in a multiplex of global value chains linked to other major economies and therefore consistent with East Asian interdependence with the global economy.

Western reactions however have ranged from EU ambivalence about the initiative as lacking transparency (Anthony, et al, 2021) to interpretations of the BRI as extending Chinese geo-economic power for primarily geopolitical ends, likely to strengthen asymmetric power for China which may be applied coercively to dominate partners, even weaponizing supply chains and militarizing infrastructure assets (Chellaney, 2017; Hart & Johnson, 2019; Lewin & Witt, 2022). Scholars have identified a range of risks to international actors generated by or in the context of the greater power China will accrue from the BRI, including potential debt traps, corruption, opaque and inefficient investment allocation, export of authoritarian norms, poor social and environmental outcomes and potential dual use infrastructure capable of future militarization (Feigenbaum, 2017; Hillman, 2019; Kliman, et al, 2019; Maliszewska & van der Mensbrugge, 2019; Russel & Berger, 2019). Alarm that China was deliberately setting debt traps for future potential seizure of assets (Chellaney, 2017; Hart & Johnson, 2019) was popularised by the Trump administration, with Vice President Pence accusing China of using “debt diplomacy” to expand its influence globally, citing in particular “pressure” to deliver a Sri Lankan port “directly into Chinese hands which may soon become a forward military base for China’s growing blue-water navy” (Pence, 2018).

At the Belt and Road Forum in Beijing in 2017 (attended by the author), Xi advocated a Digital Silk Road involving artificial intelligence, nanotechnology, quantum computing, big data, cloud computing and smart cities. A key geopolitical risk in the discourse is the claim that Chinese technology firms active in BRI projects and beyond, such as Huawei, pose threats of espionage and other forms of cyber-attack, as well as exporting China’s “surveillance state” model through provision of 5G networks, smart city surveillance and other technologies along the Digital Silk Road (Hillman & McCalpin, 2019; Lim & Ferguson, 2019; Zenglein & Holzmann, 2019). The claims have been used to justify an extraordinary campaign of US economic coercion against key Chinese technology firms, locking them out of key markets and blocking access to advanced semiconductors (Fernandes, 2019; Capri, 2020; Li, Cheng & Yu, 2020). Further it is claimed that Chinese leadership in developing global norms and standards for new technologies in which it has

a leading role, such as 5G, will extend Chinese state influence globally (Schia & Gjesvik, 2017; Chan, 2019; Chang, 2020).

Another key geopolitical risk is China's increasing influence in the multilateral system, during a period of waning US enthusiasm for the compromises inherent in multilateralism. At the same time as rolling out primarily bilateral BRI projects, China has claimed its international engagement is committed to strengthening multilateralism. A key case was the establishment of a new multilateral development bank headquartered in Beijing, the AIIB, to address the Asian deficit of financing for sustainable development. The move was initially perceived in the US as part of a geopolitical project to build a "parallel order" and sphere of influence to challenge the international system (Hodzi & Chen, 2017). Despite an active US campaign to dissuade countries from joining, the AIIB attracted 57 founding members, including numerous US allies, and has subsequently funded a broad range of infrastructure projects in the developing world. It has, in the process, challenged a number of norms of the US-led liberal order, including addressing the disproportionate power of the US and other advanced economies in the Bretton Woods financial institutions by providing a more proportionate role for China and other developing countries, a new focus on infrastructure-led development, and a shift away from the US-led institutional practice of using finance to leverage liberal democratic and neo-liberal reforms (Peng & Tok, 2016). It has also, to date, implemented best practice in funding development projects and worked closely with other MDBs, which suggests, in this case at least, China is seeking to reform rather than to undermine the world order (Humphrey, 2015; Stephen & Skidmore, 2019; Morris, 2021).

To be sure, there are geopolitical dynamics at play, although they are differently understood according to the duelling world order narratives. Chinese scholars have widely rejected the geopolitical description of the BRI, insisting that in its focus on development rather than security, it provides a new model of common development and international cooperation that is not driven by a zero-sum expansion of Chinese power but by the China's vision of a "shared future" (Yan, 2019). At the global level, the BRI will further China's expressed international aims if its investments contribute to greater economic integration with the developing world and if that greater development can be leveraged through state-to-state relationships for greater influence in the international system. Supporting new trade integration with the developing world also mitigates risks for China of over-dependence on advanced economies such as the US, EU, Japan, South

Korea and Australia (Raby, 2020). Each of these economic partners is a potential strategic rival. Eurasian trade development in particular mitigates risks to current trade routes. China is highly dependent on maritime trade, fearing the US naval capability to blockade its key trading routes, no longer a remote possibility since Trump's "trade war" and sanctions on a range of Chinese firms. The BRI offers China a diversification of sources for key inputs to its economy as well as new markets for its outputs and, importantly, new trade routes such as the China-Pakistan and China-Myanmar economic corridors that avoid maritime choke points such as the Malacca Strait.

The discourse of debt risk popularised in relation to China becoming the world's largest official development finance creditor (Chellaney, 2017) has been difficult to assess given the unprecedented confidentiality around Chinese lending to developing nations. While these nations have difficulty attracting development finance, Chinese state-owned financial institutions, chiefly Exim Bank and the CDB, appear to have established frameworks for risk management that position China to use its asymmetric power to insist on terms and conditions for loan agreements that more closely resemble commercial loans than international norms for sovereign debt markets. Because these terms are rarely publicly available, there is a lack of understanding of the dynamics at work. A study of 100 contracts between Chinese state-owned lenders and developing country governments found the contracts tended to be highly standardized but also to have a number of novel terms requiring high levels of confidentiality, repayment preference over other borrowers (featuring lender-controlled offshore accounts) and cancellation, acceleration and stabilization clauses that potentially allow lender influence over debtor domestic and foreign policies (Gelpern, et al, 2021). Even if such terms may prove unenforceable compared to their commercial counterparts, they do raise questions about China's asymmetric influence and whether debtor nations are taking all factors into account in assessing their debt sustainability risk. China signed up to the G20 Common Framework for Debt Treatments in 2020 and therefore may find it difficult to insist on repayment preference, given a commitment has been made in the G20 Framework to coordination of debt relief with other creditors. At the time of writing, a significant number of developing countries were facing debt crises, including some with relatively high levels of debt to China such as Pakistan and Sri Lanka, but these crises were broader in cause and characteristics than simply the exposure to China and were being considered by all of the major multilateral development agencies. Whether China will in future have particular geopolitical leverage across the multilateral development agencies, matching

US leverage, still remains a matter of conjecture rather than evidence. Through the BRI, China certainly appears to be gathering bilateral leverage with a wide range of partners.

Not all of the risks associated with the BRI can be classified as geopolitical in nature. On closer examination, scholars have found that many of the risk factors in relation to BRI projects reflect local conditions and local governance and are therefore too diverse to be simply intrinsic to the BRI itself, such as localised conflicts and security problems, local regulations and poor governance. Nevertheless, some of these risks are found to be amplified by opaque deals between China and partner governments and poor business practices of some Chinese firms that generate local scepticism and resentment in many places (Arduino & Gong, 2018; Zhang, Xiao & Liu, 2019). A diversity of Chinese actors, often pursuing provincial or enterprise-level goals, are enveloped in the BRI narrative but may be undermining Chinese state goals by fuelling corruption, environmental degradation and even conflict in places such as Myanmar (Hameiri, Jones & Zou, 2019). Investing in or doing business in states without strong institutions and good governance is both a political risk and a calculated opportunity. Infrastructure projects are typically multi-year projects at the planning and construction phase, with a long operational life, and risks need to be managed across the lifecycle, which might include changes in governance as well as other factors in the business environment. Chinese actors have indicated before the BRI and since that they are often willing to take high risks in anticipation of long-term returns. Chinese actors also regularly work outside established processes, with the BRI offering bilateral alternatives to multilateral financing and with China not represented in some multilateral frameworks, such as the International Energy Charter for example. One interviewee for this research project, an official of the International Energy Charter Secretariat, noted that Chinese (like US) energy projects in member states of that organisation were simply commercial projects and not subject to the multilateral rules of the Charter, which otherwise govern the entire energy chain from exploration to marketing in most states of Europe including the former Soviet Union (with the exception of Russia and Belarus).

Chinese finance has become a significant factor in a contemporary problem, the rise in debt servicing problems across the developing world. Although developing nation debt is not at the dangerous levels of the 1990s, when multilateral initiatives reduced debt burdens in Africa and elsewhere (Chabert, et al, 2022), debt levels are nevertheless rising rapidly in the 2020s, compounded by the Covid-19 crisis and rising interest rates. China

is now the largest official bilateral creditor to a growing number of developing nations, although some project-specific lending is not appearing as official debt in publicly published statistics. According to a Kiel Institute estimate, by 2017 China was providing six per cent of global finance, worth US\$5 trillion, with 80 per cent of developing nations receiving official Chinese grants or loans, and with a lack of transparency often distorting risk assessments including market pricing of sovereign debt (Horn, Reinhart & Trebesch, 2019). World Bank research estimated up to one third of low-income recipient countries may have higher debt-to-GDP ratios at risk of debt distress as a result of BRI lending (Bandiera & Tsiropoulos, 2019), although in most cases China was not the major source of debt finance. Fudan University's Green Finance and Development Centre found \$14 billion of the \$52.8 billion in debt servicing costs in 2022 for 68 of the world's poorest nations was owed to Chinese lenders (Yue & Wang, 2022). In total, according to the Fudan Centre, \$110 billion was owed to China by those countries, more than the combined debt of all other government creditors and only surpassed by the World Bank. About 60 per cent of low-income countries were considered to be in potential debt distress, double the number of a decade earlier, notably with large exposures to Chinese debt amongst Tonga, Laos, Cambodia, Congo, Kyrgyz Republic and Tajikistan. Japan was the largest creditor to Myanmar (32 per cent), the case study examined below. Although China does not participate in the debt restructuring coordination by the Paris Club of creditors (and commonly inserts "no Paris Club" clauses in contracts with debtors), Chinese lenders deferred payments of \$5.7 billion in 2021, more than the Paris Club combined, and Chinese financial institutions are increasingly working with multilateral development banks to share debt risk assessments (*The Australian*, 2019, April 16). For the first time, in 2022, China joined Paris Club lenders through the G20 Common Framework to structure debt relief to Zambia (*Bloomberg*, 2022, September 26). Greater transparency and further multilateral coordination would appear to be helpful in building trust, although as was apparent throughout this research trust is absent at the political level.

At closer look at the evidence of debt trap and militarization narratives prevalent in the geopolitical discourse has, in relation to Sri Lanka and other cases – at least to date – found no basis for Chinese coercive leverage or militarisation intent. In Sri Lanka, Chinese finance was rather courted by a poorly governed state in pursuit of trophy projects and then a joint venture arrangement for Hambantota Port was freely entered, rather than coerced (Kratz, Feng & Wright, 2019; Sautmann, 2019; Weerakoon &

Jayasuriya, 2019; Zhang, 2019; Moramudali & Panduwawala, 2022). A former World Bank interviewee noted that China and the CDB demonstrated considerable flexibility in relation to the problems around moving to a much more realistic debt servicing schedule for Sri Lanka than its government had originally planned. Debt problems in Africa have been found to be more the result of private sector bond holders than Chinese lending (Lippolis & Verhoeven, 2022). The narrative of Chinese debt diplomacy nevertheless remained prevalent at the time of writing.

As well as the debt trap narrative, claims have also been made that the BRI infrastructure connectivity will construct trade dependencies on China for recipient countries and indeed preliminary studies demonstrate that BRI projects have tended to reduce inefficiencies and barriers to trade and that Chinese exporters have in many cases benefited more than trading partners. Kenya suffered a 106 per cent deterioration in its trade balance with China between 2013-2021, after the construction of a series of BRI projects, and Kyrgyzstan suffered a 47 per cent deterioration in what was already a massive trade imbalance. Myanmar on the other hand enjoyed a 52 per cent improvement in its trade balance with China in the same period, halving its deficit from \$4.5 billion to \$2.5 billion, largely because of the oil and gas pipelines and other BRI infrastructure connectivity projects discussed in the case study below (Chang, 2022).

Risks on the Belt and Road therefore need to be examined at the project and country level utilising multi-disciplinary, contextual expertise in order to understand how risks are generated and to what extent they reflect Chinese geopolitical power or multi-actor agency (and learning) in negotiating interdependence. The BRI is bringing Chinese finance and project implementation to business environments in which risks already exist and which may generate or exacerbate security, debt, governance and corruption problems. Scholars have begun to break down analysis of such risks according to specific conditions in diverse cases (Feigenbaum, 2017; Hillman, 2019; Kliman, et al, 2019) but much more empirical research is required before understanding the broader dynamics at play. After Chinese workers losing their lives to terrorist attacks in Pakistan and Chinese businesses ransacked in riots in the Solomon Islands, it appears likely China will seek to expand its security presence in unstable international partner countries. Risks of Chinese-funded projects certainly vary according to local governance practice, as demonstrated in the Pacific by the transparent decision-making and planning that delivered a successful infrastructure project in Samoa, while a less transparent process in Tonga resulted in

diversion of funds from a key infrastructure project to instead build a palace extension for the king (Dornan & Brant, 2014). Poor local planning of the Addis Ababa-Djibouti freight railway cost the China Export and Credit Insurance Corporation (Sinosure) losses of around \$1 billion (Ng, 2018; Pilling & Feng, 2018), demonstrating risks accrue to Chinese actors as well. Following the change of government in Malaysia in 2018, the East Coast Rail Link project was reduced in cost by one third, which observers believed revealed corruption risks related to the project as originally developed (*AP News*, 2019, April 15) and also demonstrated agency of China's BRI partner.

At the individual project level, some Chinese state-owned enterprises, which are often key actors in BRI projects, have been exporting poor corporate practices. Early in the BRI rollout, some of these firms were in the early stages of internationalisation and commonly exhibited (and some continue to exhibit) poor and opaque planning, inadequate due diligence and limited understanding of local conditions or stakeholder management, as well as characteristically low levels of transparency (Shambaugh, 2013; Nicholas & Yang, 2017). Chinese firms tend to enter markets, particularly under the BRI umbrella, on the basis of government to government agreements, bandwagoning with previously established Chinese partners and employing Chinese labour as risk management strategies. This approach tends to be fostered in governance environments that do not demand open tender processes, detailed feasibility studies, cost-benefit analysis and stakeholder engagement to ensure community support. Yet some or all of these Chinese business practices can be found even in mature, developed (and non-BRI) economies (Powell Tate & Weber Shandwick, 2017).

Further, Ang (2018) noted that Chinese firms and bureaucrats may sometimes be making mistakes in implementing projects, because of their enthusiasm to please those in the party state hierarchy, including grouping increasing numbers of aid and investment projects under the BRI banner, regardless of their contribution to providing important new infrastructure and connectivity or other BRI goals. State-owned enterprises are often perceived as acting uncompetitively and unfairly advantaged by Chinese finance, undermining local competitive environments and even exerting political influence (Yin, 2018). Jones and Zeng (2019) argue that Chinese state-owned enterprises are in some cases designing and executing dubious projects for non-economic reasons, deploying excess capacity in pursuit of competing domestic, state capitalist interests. The Chinese model of development, based on investment maximising output rather than return on

investment, has been further observed to distort investment risk pricing and to raise borrowing costs for private sector partners (Abonyi, 2019). Chinese Government regulation of overseas investment practices has been observed to be inconsistent, ineffective and well below accepted global practice (Hameiri & Jones, 2018).

As a new trans-regional mechanism designed with China at the hub, strengthening its geo-economic power, the BRI can, even in China, be interpreted as a challenge to the US-led world order. It remains uncertain however whether such an ambitious trans-regional initiative will hasten the fracturing of globalization into a new “regional world order” (Voskressenski & Koller, 2019) or whether it will reinforce globalization against its other challenges. Whether the US-led pushback against China creates an alternative trans-regional initiative remains unclear, with a number of rival infrastructure funding initiatives announced in response to the BRI but with little implementation to date, at least at the time of writing. Neither the “Quad” or the “Indo-Pacific” represent traditional regions but are constructed in the contemporary discourse as likely to evolve to include geopolitical and geo-economic responses to the BRI. Most observers expect that the China-led BRI and any US-led alternative will both continue to seek access to global markets. Even if the world bifurcates into a “regional world order”, led by rival hegemony, it is unclear if these would be based on rules from the globalization era or whether they may become more mercantilist, nationalist and isolationist, the latter which may generate a new mega trend towards inter-bloc confrontation and conflict rather than any return to interdependence.

There has been much more discussion of the BRI in grand, normative geopolitical terms than grounded, empirical studies of actual case studies. This is partly because the initiative remains young and many of the projects now included under the BRI umbrella pre-dated it in their conception and projects developed between China and partner governments to implement under the BRI are mostly works in progress. Nevertheless, from the literature to date, worst and best-case scenarios are illustrated in the diagram below, with both reflecting the overwhelmingly zero-sum normative discourses emanating from the US and China, anticipating that one world view can prevail. In between the two zero-sum discourses, “balancing” strategies are sketched here as offering alternative scenarios in which international actors succeed in balancing between the major powers and utilise strategies to manage the range of risks.

Worst-case scenario (threats)	← Balancing risks→	Best-case scenario (opportunities)
<ul style="list-style-type: none"> • (US discourse) Debt traps, export of surveillance and other illiberal norms and future militarization of assets and security presence result in Chinese hegemony in the developing world • (Chinese discourse) Geopolitical containment and confrontation from the US and allies constrains Chinese growth and standing in world order 	<p>Geopolitical strategies</p> <ul style="list-style-type: none"> - Strengthen multilateral norms and rules - Confidence-building measures to reduce binary confrontation to bounded competition - Overlapping regionalisms - Debt sustainability strategies - Strengthened national sovereignty to control dual-use infrastructure - Maritime supply chain security - Technology supply chain security - Sovereignty 	<ul style="list-style-type: none"> • (US discourse) Nations embrace alternatives to the BRI to reduce dependence on Chinese finance, norms and infrastructure, constraining Chinese power • (Chinese discourse) Increased power for the developing world in the international system, more diversified development stabilises and builds peace in the developing world, China diversifies away from dependence on advanced economies and trade choke points, builds leading security capabilities in new technologies

<ul style="list-style-type: none"> • China exerts coercive asymmetric power for disproportionate benefits, undermining interdependence • US pursues decoupling from interdependence with China, bifurcating the global economy into two rival regional world orders 	<p style="text-align: center;">Interdependence strategies</p> <ul style="list-style-type: none"> - Multilateral norms and rules - Industry and trade development strategies to reduce asymmetric dependencies - Infrastructure connectivity efficiency - Supply chain diversity to reduce potential for coercion - Sustainable development 	<ul style="list-style-type: none"> • China and partners negotiate and implement projects that meet infrastructure, connectivity and other needs to foster trade, investment and sustainable development, reinforcing further interdependence • Even in intense binary geopolitical contest, supply chain diversity in global markets continues to underpin globalization-era rules and norms for positive sum benefits
<ul style="list-style-type: none"> • Chinese actors engage in corruption and opaque government-government arrangements that undermine good governance and foster poor business environments and outcomes that undermine national sustainable development goals 	<p style="text-align: center;">Country risks requiring management strategies</p> <ul style="list-style-type: none"> - Governance capability - Corruption - Business environment - Security - Social and environmental 	<ul style="list-style-type: none"> • Countries benefit from investment, trade, skills and economic development • Projects are aligned with national and sustainable development goals

<ul style="list-style-type: none"> • Inefficient investment allocation and inadequate planning results in poor economic, social and environmental outcomes 	<p style="text-align: center;">Project risks requiring management strategies</p> <ul style="list-style-type: none"> - Partner capability - Project planning - Corruption - Economic, social and environmental governance 	<ul style="list-style-type: none"> • Well-designed and implemented projects deliver positive sum economic, social and environmental outcomes
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2.4.1 Table 2: Belt and Road risk and opportunity framework

2.4 The sustainable development challenge

Just before the dramatic shift to geopolitical contest of recent years, in 2015, global leaders assembled in New York to adopt the UN 2030 Agenda for Sustainable Development. In its ambitious set of 17 Sustainable Development Goals, the 2030 Agenda was a recognition of the inter-related nature of environmental, social and governance factors in achieving future development that is sustainable. The UN’s Intergovernmental Panel on Climate Change had been warning for decades that human-induced climate change risks creating worsening natural disasters, raised sea levels and other serious impacts on the global environment if global warming rises above 1.5 degrees above pre-industrial levels. Also, in 2015, global leaders agreed to pursue climate change mitigation, adaptation and finance for sustainable investment in the Paris Agreement on Climate Change. By 2021, at the 26th Council of the Parties (COP26) to the 1994 UN Framework Convention on Climate Change in Glasgow, global leaders agreed the world must move into “emergency mode” to address climate change.

Climate risk has therefore become a high consequence and high likelihood risk in the medium term (with global temperatures expected to surpass 1.5 per cent by 2050 unless there is substantial change in human environmental impact). Major structural shifts that are underway across many economies include a move away from polluting fossil fuel energy production to zero pollution renewable energy, zero emission vehicles, more efficient infrastructure and “smart cities”. Technological change as a result of new high-speed connectivity across the Internet of Things, driven by powerful AI and quantum computing, is anticipated to generate innovation in smart manufacturing, logistics,

consumption and re-use of materials to dramatically improve efficiencies and to reduce harmful impacts on the environment, bringing economic activity closer to a sustainable balance with the environment (Capri, 2022).

With the US temporarily abandoning leadership on the climate challenge during the Trump presidency, Europe has emerged as a leader in making a “green transition”. The cost of such a transition has been a barrier to action in the developing world, but in recent years China has begun to play a leadership role in this area. This had been a long time coming, with China previously sheltering behind its self-proclaimed developing nation status to demand the rich world take the lead, while meantime funding carbon-polluting projects across the developing world in a trade-off privileging development over sustainability. BRI infrastructure development projects have been criticised, as indeed have major projects funded by other sources, for poor ecological consequences, including impacting biodiversity in fragile ecosystems in South East and Central Asia (Griffiths & Hughes, 2021).

Nevertheless, consistent with China’s more assertive actions across the agenda of global governance, China in the Xi era has not only rhetorically committed to achieving peak carbon emissions before 2030, and net zero carbon emissions by 2060, but is in the process of dramatically restructuring its economy by which to achieve these goals. China leads the world in renewable energy investment, has a large carbon market and has ambitious plans for the rollout of sustainable infrastructure including green transport, in which it appears likely to dominate global supply chains (Chiu, 2021; *Xinhua*, 2022, January 17), with investment in green transport approaching the scale of China’s investment in renewable energy (Shen, 2022). In its recovery from Covid-19, China was even bringing forward planned investments in renewable energy and smart grid infrastructure. It is leading in green finance innovation and in some way observed to be converging with EU standard-setting (Larsen, 2022). For China, as for its neighbours in Asia and the Pacific, climate change poses a mortal threat. China has 20 per cent of the world’s population but only 12 per cent of the world’s arable land, and risks facing water and food shortages from worsening flooding, drought and its degraded environment. Food security may indeed become a more significant driver in the near future for utilising its economic leverage over neighbouring countries.

Addressing climate change is therefore part of solving the risks of interdependence with China. It is no longer adequate to assess environmental solutions as costs, but rather to integrate such solutions into the strategic goals of new investment. China has financed around US\$1.5 trillion of development projects, many under the umbrella of the BRI, more than the combined finance of other IMF and World Bank members (Capri, 2022). It therefore has both a giant stake and is likely to become a norm-shaper in how and where such finance is deployed in the decades ahead. Whether the BRI, with its investments in energy, road and rail infrastructure, ports and digitalization, can meaningfully contribute to new, more sustainable economic models will to some extent depend on the degree to which sustainability is central to design and strategy, a work in progress for Chinese (as for other international) investors. Whether such finance and development are deployed as structural investments in green transformation or, as to date, simply adding to the emissions from the developing world, is as yet unclear.

Whether future sustainable investment is coordinated across the international system or whether it becomes a feature of a new fragmented international system is also unclear. The role of the state in any structural shift to green transformation may well be critical and the respective major states' capabilities to manage climate risks may become one of the new areas of geopolitical competition. European and US investment in renewable energy has been reliant on "indispensable" Chinese suppliers of equipment, from wind turbines to solar panels, sometimes generating controversy because of China's advantages from state subsidies and scale (Katz, et al, 2022). In the deteriorating geopolitical climate, these global value chains include firms that also supply the Chinese defence industry (as indeed US firms supply the US defence industry) which may be expected to generate more political risks in future. Mitigating such risks, by diversifying supply chains and "reshoring" by bolstering domestic industry will likely be pursued by those states with the capacity to do so. Chinese interests also dominate value chains in critical minerals for the new technologies that promise to aid the green transformation of industries. This leading market position is feared in an emerging literature on the risk of future Chinese weaponization of interdependence in sustainability (Bowen, 2022). In Asia, new initiatives to mitigate such risks include development of new value chains in critical minerals, hydrogen and renewable energy, such as a proposed subsea link to supply Australian solar power to Singapore. Some other market shifts surrounding the raw materials for the green transition are mistakenly interpreted as geopolitical when markets

and actors are more diversified than simply state of origin, such as Chinese-owned lithium suppliers from Australia seeking new markets (Tagotra, 2022).

At the second BRI Forum, a leadership summit of BRI partners, in Beijing in 2017, a Green Development Coalition was launched, with the aim of harnessing expertise and partnerships to ensure the initiative achieves outcomes consistent with the 2030 Agenda. UN agencies, funds, environmental ministries of partner countries and other partners are involved in the coalition, which has stimulated a series of guidelines to manage environmental risks over the life of projects, notably the 2020 Green Development Guidance for BRI projects, although it is too early to assess how widely these voluntary standards have been applied (ESCAP, 2021; Wang, 2022). In recent years there has been a proliferation of Environmental, Social and Governance (ESG) standards by various financial institutions, governments, business organisations and others, some more stringent and results-focused than others, and at COP26 it was agreed that the International Sustainability Standards Board would issue global baseline standards, and the first such disclosure standards and a set of industry rules were issued in 2022. The problems of embedding sustainability into investments is broader than simply a question for China, but as China is a major international investor and creditor it now has a major role to play in finding solutions and that will include implementation of global green standards.

Asia is tracking behind the global average in achieving decarbonization (Mar, 2022). A green Belt and Road appeared to be taking shape in the early years of the 2020s. In 2020, China's overseas investment in renewable energy projects exceeded fossil fuel energy projects (ESCAP, 2021), although it may be too early to conclude this is a trend, as it may reflect the relative commercial attractiveness of smaller renewable projects and the effects of Covid-19 in delaying larger, traditional projects. BRI funding for renewable energy projects was \$6.2 billion in 2020 and a steady \$6.3 billion in 2021. In 2021, no coal projects were funded under the BRI, meeting a pledge by Xi to finance no new international fossil fuel projects. Risks of building long term, unsustainable infrastructure appear to now be increasingly understood, at least in the narratives of high-level strategic documents and speeches, although further evidence-based research is required to assess implementation at the project level, including how capacity constraints at the national level in developing countries impacts on projects (Wang, 2022). For the first decade of the BRI, policy makers expected Chinese investors to simply work within local laws in

host countries, but recognising local capacity constraints, a new approach to apply international environmental standards appears to be emerging.

With the future leadership role of China in relation to sustainable development unclear, the importance of the shift to sustainability nevertheless underpins all of the questions raised in this research, as it goes directly to the question of whether it is possible to manage risks in interdependence with China including to seize economic and environmental opportunities from green investment, or whether actors will choose rising economic nationalism, fears of asymmetric advantage and security-driven fragmentation into rival camps.

3. RESEARCH DESIGN, METHOD AND METHODOLOGY

As discussed above in the survey of literature on the shifting world order, international relations discourse often constructs realist zero-sum games of power between states, or vast geopolitical strategies for conquest of territory or influence over other states, while liberal internationalists propose institutions, rules and norms for cooperation. Amongst decision makers and actors in international relations, theories come in and out of favour based on how well they appear to explain what is going on. When they appear to be firmly grounded in evidence, theories are very helpful to explain what happened in the past and what appears to be happening in the present. Interdependence theory held sway during the optimistic globalization era, in which decision makers had confidence in institutions, rules and norms. Today, pessimism has taken hold amongst decision makers and populations, at least in the developed world, about geopolitical contest and the failure of global governance to address crises of the economy, society and environment. It would therefore appear to be a time in which geopolitical theories are better suited.

The problem underlying the design of this research project was that there is no certainty that any current theory will adequately explain how the world will look in another decade or two. As this is a fundamental problem for international actors in interdependence with China, this research seeks to explore how governments, businesses and other actors can scenario plan, develop strategies and shape the future, to seize opportunities and manage risks. As an exercise in political risk analysis, it accepts uncertainty and seeks simply to work with that uncertainty by diving deeply into case studies and seeking to develop a suitably flexible framework for identification, analysis and assessment of interdependence risks arising from the BRI and interdependence with China that could be of use to international actors. It was approached with a scepticism of theories and an intention to build a picture of dynamics underway through interviews with actors and experts and empirical observation. In doing so, it sought to investigate the strategic, idiographic space for agency, for actors to influence the form of relationships and outcomes in relation to project implementation, rather than passively reacting to essentialist, nomothetic models of forces, interests or values. A case study approach was adopted in order to understand, in a small sample but representative set of situations, the

cross-disciplinary, multidimensional, contested and qualitative nature of the interdependence risks in a period of shifting world order. This provided the framework for the collection of information on a diversity of experiences on the Belt and Road and broader interdependence with China, as well as the complex dynamics for actors in understanding risks (as well as threats and opportunities), sceptical of simplistic and binary geopolitical or other frameworks.

There is a growing universe of Belt and Road institutions, initiatives and projects, and other Chinese platforms for geo-economic integration and connectivity. While no single, authoritative list of BRI projects exists, one comprehensive database has been compiled at Fudan University (Green Finance and Development Center, 2023). Rather than attempting to survey a broad range of projects, however, purposive, critical case sampling was used in this research to select three representative cases in finance, technology and port infrastructure (the case selection outlined further in 3.4 below). Multidimensional political risk case study analysis was selected in order to allow observation of the contingent interplay between international relations and domestic politics, international trade and investment and other civil society and cultural interaction in a set of diverse and representative settings.

Further, the research was designed according to a grounded theory approach and an inductive process of developing an understanding of processes underway, including narratives, interests, norms and agency of actors themselves, before developing concepts and then applying the political risk approach to construct an interdependence risk framework. As will be discussed below, the Covid-19 crisis severely impacted the fieldwork plan and much of the research was accordingly conducted online but the researcher nevertheless pursued a deep immersion in the discussions and debates in relation to the three case studies, the BRI and the geopolitics of China's rise through a broad participation in online webinars, conferences, expert mailing lists and surveying literature and the emerging narratives in the media and think tank discourses.

Assumptions of the research, that made it highly relevant to pursue, were that China and the BRI were likely to be an enduring feature of the next phase of globalization and that international actors would likely seek to find a way to manage or mitigate risks, just as international actors would also seek to maximise opportunities and to avoid threats. While the dominant Western narratives privilege the legitimacy of Western global leadership, it

is accepted here that it remains possible (indeed probable, according to leading Asian scholars) that a growing portion of the world conventionally described as the “developing world” will adapt to a new multipolarity and will seek to manage interdependence risks in interplay with a new geopolitical balance and by empowering agency of actors at all levels. The research was therefore pursued with an intention to observe and understand non-Western insights as much as to understand the evolution of Western narratives concerning the changing world order and the relevance of all perspectives on the cases being investigated.

Risk was a central concept from the beginning of the research design, because of the centrality to the topic of uncertainty. The phenomenon of China’s rise and the interdependence of actors across the world with rising China is a new phenomenon that has little in common with the rise of former global powers. China is self-evidently dramatically different from the US, European or other powers in modern history. Uncertainty and risk appeared therefore to be an innovative approach to take in the research, acknowledging that risk exists in a spectrum from threat to opportunity. In everyday language, risks can materialise into disaster or they can be turned into opportunity, with almost everything in between constituting some possibility of loss or negative outcome. To further pursue everyday language (at least in the English language), common usage of risk emphasises the negative and is usually constructed in discourse as a binary loss. The English Cambridge Dictionary defines risk, the noun, as “the possibility of something bad happening”. The American Webster Dictionary defines risk as “possibility of loss or injury” and “someone or something that creates or suggests a hazard”.

Yet risks are everywhere. Crossing a road is a risk, if we do not observe simple rules and norms, and even then, some risk remains. Equally, revealing we are in love constitutes a risk of a broken heart if not reciprocated, but if such a revelation is not rejected, what started as a risk may turn into the opportunity of finding a life partner. If risks may contain opportunities, a more complex approach is required than a simple binary understanding. Indeed, every risk constitutes itself uniquely in time and space, with different forces at play and different actor options, so there would appear to be no one-size-fits-all quantitative approach to define or to analyse risks.

Risks also generate emotional responses. While it is beyond the scope of this research to investigate cognitive psychology, Furedi's "culture of fear" does appear to underline a trend in Western culture in which we appear to be losing a sense of proportion in assessing risks, often "catastrophising" risks. Furedi describes this trend as a moral panic taking hold in which we believe we are under constant threat. Expertise is undermined in this culture of fear, indeed experts can be vilified as out of touch "elites" or at least distrusted, and actors become paralysed by existential anxiety. Furedi argues cultures of fear appear at historic turning points and he notes one such period was the 1920s-1930s, a time of war weariness, pandemic, materialism, depression and shifting power balance. In his culture of fear, the threshold for identifying risks is lowered, with actors becoming focused on not only risks that are *probable* (and therefore warrant management, mitigation or indeed avoidance), but gripped also by risks that are only *possible* (prompting the avoidance of all risks, as a precaution, or alternatively living in constant fear). Worst-case scenarios become accepted as likely, a troubling misdiagnosis of ever-present uncertainty and complexity and a serious underestimation of actors' capacity to exercise strategy and agency to remain safe (Furedi, 2018).

This research sought to dig deeper than the wave of fear of binary "China threat" narratives that have become dominant in recent years, seeking to weigh more proportionate assessments of the range of challenges that arise from interdependence with China. If indeed many China-related risks may be managed and not simply catastrophised as threats, it is necessary to enquire more deeply to understand the processes of managing those risks. It became an important proposition to explore in the research that broad spectrum of conditions between opportunity and threat and in which risks can be identified, analysed, assessed and managed. Risks that are *unlikely*, for example, might be expected to be strategically managed while even risks that are indeed *likely* might ordinarily be tactically mitigated. Equally, risks that are *low consequence* might be managed if they are outweighed by countervailing benefits, while risks of *high consequence* require an actor to exercise judgement about whether the risk can be mitigated or must be avoided. This latter category may be considered the grey zone in which a risk manifests as a potential threat, if particular conditions change.

The use of the term "risk" is a risk in itself, that it implies a negative. When risks are discussed in relation to political forces or factors in the international system, they can be intrinsically ideologically loaded. In the emerging literature on the BRI, ideological and

normative assumptions are common, presenting infrastructure connectivity in the developing world as “debt traps”, “influence risks” or “security threats”, all negative and often without a proportionate approach to understanding the agency of actors to manage those risks. A political risk approach, however, provides a potential framework to avoid normative certainties and to investigate and strategize for conditions of uncertainty.

3.1 Political risk

A political risk approach is taken in this research to understand how actors themselves analyse, assess, manage and forecast risks and to holistically understand the unique dynamics at play. Innovation in thinking about new problems and finding solutions commonly involves deploying risk analysis across many disciplines, including finance, engineering, medicine and public policy, but is underdeveloped in the field of international relations (Jarvis & Griffiths, 2007). Taking a political risk approach here deliberately mirrors the kind of multidisciplinary, empirically-based, forward-looking analysis that the author has observed government and businesses undertake, to seek understanding in conditions of uncertainty, to identify strategic options and to plan for potential future scenarios. Political risk analysis, assessment and management advice is regularly utilised by international financial institutions, rating agencies, governments and business consultancies that place a premium on country and culture-specific expertise, when seeking to understand changing international conditions. The qualitative political risk approach taken in this research is also consistent with some area studies and other international relations case study research.

A scientific approach to political risk dates back to the post-war period, in which there was a growth in foreign direct investment in infrastructure, connectivity and development of new supply chains, led by businesses and financial institutions of the booming US economy. Those investors were finding that the markets they entered had salient factors impacting on business outcomes but that these factors were difficult to predict, with uncertain domestic politics and conflicts, as well as geopolitical contest and rivalries. High-risk business environments, on the other hand, often returned proportionately high rewards. Over time, sets of management tools were developed by such international investors to identify, analyse, assess and manage political risks.

Political risk has an undeveloped theoretical basis in relation to international relations (Simon, 1984). Robock's classic definition of political risk is usually cited in relation to international business studies:

“Political risk in international business exists (1) when discontinuities occur in the business environment, (2) when they are difficult to anticipate, (3) when they result from political change. To constitute a risk these changes in the business environment must have a potential for significantly affecting the profit or other goals of a particular enterprise” (Robock, 1971: 7)

Robock further distinguished between “macro” political risks, at the geopolitical, country or industry level, and “micro” political risks, at the firm or project level. As discussed in the introduction, “risk” is defined here as the likelihood of an event or set of problems generating negative consequences that can be identified, understood and managed (Fägersten, 2015), acknowledging that there will always be uncertainty about factors that can and will be perceived subjectively (Kobrin, 1979), such risks arising in complex process dynamics (Fitzpatrick, 1983).

Political risks impact more than business actors, impacting also on governments, non-government organisations and other international actors, and the term is used in this broader context in this research. At times, the analysis is broadened to include political risks for domestic actors, for example in the discussion of the Kyaukphyu BRI project in Myanmar, in the interests of developing a comprehensive framework of risk factors, but the focus of this research is on the implications of risks in international relations.

Sottilotta (2018) breaks down the study of political risk into three broad phases. First, political risk analysis, which tends to be a “process-driven, forward-looking” investigation of identifiable, qualitative risks including socio-political, security, cultural, environmental and other non-economic factors. Second, political risk assessment, which may utilise data, simulations, scenarios and other techniques to model how risks might impact on actors and to weigh up risks in proportion to likelihood and consequence. Third, political risk management, or strategies for international actors to avoid risks, mitigate risks or other forms of strategic management of risks. Sottilotta observes that actors tend to take a critically realist approach, utilising available evidence to determine provisional plausibility but continually scanning for fallibilities as further evidence is collected. This

critical realist approach observes not only processes of causation but also agency of actors.

Political conditions are by their nature dynamic and continually being socially constructed by a diverse range of actors, so the process of risk identification, analysis, assessment and management is ongoing and iterative, requiring constant environmental scanning and review, drawing upon contemporary and multidimensional sources of information. In practice, governments, businesses and other international organisations devote considerable resources to risk analysis and management, including a considerable amount of leadership time (for example at the board and CEO level, a substantial proportion of peer and network interaction is in relation to risk analysis).

The normatively sceptical application of the political risk approach to the BRI turns some traditional political risk assumptions on their head. Conventional political risk analysis has tended to be based on assumptions that actors are investors from the private sectors (or governments or institutions) of Western democracies, that risks can be assessed at the country or project level, that risks will tend to be higher in non-democratic environments (Jensen, 2008) and, further, that state capture – in which oligarchs or other elite groups control state decision making - is a deterrent to investors (Jensen, 2002). Traditional political risk literature has either originated in the US or influenced by US norms. Country risk analysis (discussed further below) has been framed as analysing the destination country rather than the source country, for example.

Globalization and in particular the rise of China in the global economy has changed the paradigm. No longer is political risk about private sector firms from liberal democracies investing in risky locations where governments may be brittle, quality of governance poor and social and political tensions may generate risks (although, to be sure, all of these conditions persist). In today's global business environment, investors are just as likely to come from non-democratic countries and may be investing in advanced economies, where they may face not only protectionist pressures, but risks related to geopolitical tensions, or indeed governance, social or political problems that are no longer unique to the developing world. China is now a major source of foreign financing and investment and Chinese institutions are perceived as having a different view of risk, usually on a longer-term horizon, than for example US organisations. Chinese organisations also gather risk information differently, working closely together with other Chinese actors in

a market to share information and to build relationships with local stakeholders to manage risks. The Western reaction to the growing influence of Chinese actors in the international business environment has been to problematise the source country. When corruption scandals or poor business models manifest themselves on the Belt and Road, blame is levelled at China in popular narratives, rather than the local business environment (although scholarly literature reveals the situation is much more complex). Before China became such a large player in international financing and construction of infrastructure, there were debt traps and corruption scandals, but the narratives commonly blamed local governments rather than the country providing the finance. There would therefore appear to be a new geopolitical dynamic at play.

This underlines the importance of taking a normatively sceptical approach in applying political risk analysis to Chinese invested projects. In doing so, this research seeks to understand non-Western approaches to risk, even while geopolitical and other international relations discourses problematise the Chinese state and its partners as generating new risks, and at the same time paying due regard to evidence for such new risks. As China risks are the subject of this research, it is valuable to seek some insight into the nature of Chinese risk analysis. A number of renowned China scholars were interviewed on these questions of risks within China itself and how China views international risks, to supplement the interviews conducted for the specific case studies, and their insights have been incorporated into the analysis.

3.1.1 Geopolitical risk

At the geopolitical level, political risk intersects with international relations. Geopolitical risks have traditionally been understood to be relatively quantifiable, such as the costs to actors of a local conflict or a terrorist attack (Wernick, 2006). These kinds of geopolitical events can be forecast – not necessarily accurately, of course – and an attempt can be made to estimate risks and losses. Or geopolitical risk was commonly applied in conditions of contest between rival powers, which might at first appear to be relevant to current international dynamics, although care must be taken not to simply transfer methods of analysis from the Cold War to today’s evolving geopolitical contest. Geopolitical rivalry between the US and the Soviet Union in the days of the Cold War was a binary, zero-sum competition for power and territory, with clearly demarcated red lines and other grey zones of contest in which a win for one “side” was a loss for the

other. There was little significant economic interdependence. In such conditions, “objective” gain or loss factors such as control of resources, pipelines, communication lines or industrial regions were measurable (Sykulski, 2014). Even as recently as 2009 Bremmer defined geopolitical risk as “the risks posed to economic actors and governments by the relative rise and decline of great powers and the impact of conventional wars on states and corporations” (Bremmer, 2009).

It is suggested that this traditional “rise and decline of great power” thinking underlies the current trend towards “catastrophising” risks in relation to China, imagining that every point of interdependence with China represents a vulnerability and a potential zero-sum “loss” to non-Chinese actors. Yet the complex interdependence of today’s world may require some further development of geopolitical risk theory. It may not be as straight forward any more to measure wins and losses in a zero-sum geopolitical contest and narratives of fear and blame may be muddying clear-eyed analysis of factors at play in complex international dynamics. To test these assumptions, a normatively sceptical approach has been taken in the research, which intended to begin with empirical information collection before theoretical analysis, in a grounded theory approach (as discussed in 3.2 below).

In the case studies, assumed geopolitical risks will be examined in relation to finance, technology and port infrastructure and, as we will see, the much more complex issues at play point to a need to rethink the traditional zero-sum conception of geopolitical risk. The normative perspective that China inherently poses risks appears to require a much more nuanced approach when we examine the role of China in multilateral finance, for example, or in the questions around developing norms and rules for new technology, and certainly in the case of infrastructure connectivity that brings opportunities as well as risks. The research was expected to therefore point to the need for less normative, more multidimensional and proportionate discussion in geopolitical risk analysis.

3.1.2 Country risk

At the country level, political risk analysis is commonly deployed by international businesses (and indeed resembles the analysis conducted by embassies for governments), in order to understand country-specific risks in multi-disciplinary context. These risks are axiomatically dynamic and situational, but country experts may also identify country-

specific trends to which international actors need to be alert and persistent risks that will require management, mitigation or indeed avoidance. When documented, these risk analyses can sometimes read like a dry list of sometimes obvious items, which has led to descriptions of some political risk analysis as belonging to a “catalogue school” (Jarvis, 2008). International financial institutions, consulting groups and scholars (Alon & Martin, 1998; Zhang, Xiao & Liu, 2019) have developed elaborate models with weightings for risks, producing rankings for risks that may provide general guidance to decision makers unfamiliar with a foreign business environment in relation to crime, corruption and other measurable characteristics. Such quantitative models are particularly useful for insurance companies or for multinational firms seeking a global risk overview. The diverse quantitative models are difficult to compare from any scholarly perspective as their weightings and assumptions vary and are often confidential, proprietary information.

Further, and of more relevance to this research, many political risks are processes rather than events or neatly defined factors amenable to quantitative prediction (Fitzpatrick, 1983). The nature of political risks is that they arise in complex and diverse locations and may inherently involve contradictory factors, only understandable in context. Businesses and governments tend to privilege multi-disciplinary, contextual expertise in political risk analysis from area studies scholars or in-country, empirically-grounded diplomatic or business experience over theoretical models (Simon, 1984). In this research, qualitative analysis is applied, meaning that if a country risk factor is identified, such as corruption or poor governance, such factors are considered in the complex interplay of other dynamics underway.

Originally political risk was a field of greatest interest and value to large international firms from advanced economies operating in high-risk international environments, such as multinational resources firms. Increasingly international organisations of all kinds seek to understand and manage country risks and are demonstrably more successful when they develop sophisticated market-specific knowledge and capabilities as a result of proactively managing local risks (Bremmer, 2005).

3.1.3. Project risk

As well as investigating geopolitical and country risks, this research into interdependence risks on the Belt and Road and other China-related internationalisation must also take into account that the kinds of projects under investigation may generate their own kinds of risks. These “micro” risks may arise because of a project’s or an actor’s specific dependencies on factors that are determined by the political environment. A specific project may have particular impacts, in turn, on the political environment. It may raise an environmental concern, or challenge a local political interest, or be unwelcome by a local community for other reasons, which could be irrational, such as nationalist protectionism or racism, or because of well-founded fears about the particular project and its decision making and implementation. In the case studies, it is necessary to enquire whether the Belt and Road or other Chinese platforms of financial, technological or other connectivity introduce new variables for international actors in specific circumstances, or in sets of cases? To date, firms engaged in BRI projects, for example, have been overwhelmingly Chinese financial institutions, state-owned enterprises and Chinese private sector partners, engaging with local contractors and local government partners. Has this dynamic generated new risks, either for the Chinese or for the partner actors? It appears likely that as China’s geo-economic influence grows, there will be more interdependence on the BRI involving international financial institutions and firms from a wider range of developed and developing countries, across a wide range of sectors. For all of these actors, as well as governments and other stakeholders, it will be important to understand new variables and to analyse risks, in order to develop appropriate strategies to avoid, mitigate or manage risks. There will also be specific risks that will arise in relation to each infrastructure project. Complex infrastructure projects anywhere and funded from any source are commonly prone to scope creep, project redesign, construction delays, cost blowouts and other problems that arise specific to the project characteristics and dependencies. In Asia, high-profile Korean and Taiwanese high-speed rail projects have failed, for example (Kotani, Suzuki & Yamada, 2018). It is important therefore to assess project-specific risks as well as those that may arise from China-specific factors.

Comprehensive surveys by the Asia Society, World Bank and others detail country and project risks on the Belt and Road (Russel & Berger, 2019; World Bank, 2019). It is not intended in this research to duplicate those generic surveys, as valuable as they are in their analysis of topics such as debt risks, risks from lack of transparency in procurement, social and environmental risks. More specialist, targeted political risk analysis must be empirically-grounded and multidisciplinary, drawing on international relations, political,

social and economic expertise, and for this reason the political risk approach is particularly well-suited to case study research. It may not be as useful in providing theoretical coherence for generalisation across all cases, but this reflects the nature of political risk analysis, which is more of a research strategy than a theory. In its particularity and normative scepticism, it may overlook longer term or broader trends, but in its specificity, it may nevertheless more accurately describe the dynamics in which a particular set of risks arise at a particular point in time. The political risk strategy therefore sits comfortably with a grounded theory approach to this research.

3.2 Grounded theory

Throughout the research project, a grounded theory approach was pursued (drawing on grounded theory as conceptualised by Corbin & Strass, 2015). This entailed the collection of multidimensional empirical evidence, from a rich, open range of sources in addition to comprehensive and diverse field interviews, with constantly re-evaluated interim conclusions as new salient information was collected. Risks and risk factors were identified as they arose in the evidence, rather than as assumptions or accepting risks in the literature at face value. The planning for the purposive, critical case sampling identified key decision makers, stakeholders, experts and others who were likely to have a range of relevant insights, including a diversity of perspectives and experiences, on the processes and dynamics underway in each of the cases.

A comprehensive plan for research fieldwork was developed and indeed began in the months prior to the outbreak of Covid-19, before international travel became impossible. Because of the pandemic, the fieldwork plan had to be transformed into a program of online interviews and other deep immersion in the issues through webinars, online conferences and scanning of literature on a continuing basis parallel to the interview program, rather than subsequent to initial rounds of interviews as originally envisaged. An intensive program of webinars and online conferences actually arguably exposed the researcher to more in-depth dialogue and diversity of views than might otherwise have been achievable in the original fieldwork plan, no matter how ambitious.

Across the three case studies, despite the grounded theory approach, there were inevitably assumptions that the research would identify a range of different context-specific risks, as well as possibly some generalisable risks that relate to China's growing asymmetric

power and its geopolitical contest with the US. Those assumptions were noted and tested daily in a field journal, as new information was collected. Semi-structured questions along broadly generic lines were designed for the program of interviews, to ensure views on risks and risk factors were recorded and also to allow further open probing of interviewee perspectives and insights on why risks arose and how they were understood. In order not to lead interviewees, questions about risks were carefully balanced with questions about opportunities.

The nature of the case study research was that it will not be replicable in identical conditions. Indeed, a novel factor in the research design was that, in addition to being a participant in the open discussions in the interviews, the researcher was identified to interviewees as a practitioner in international relations. In some cases, interviewees were identified through the researcher's pre-existing networks, although these were carefully balanced with new, unknown interviewees. This introduction of the researcher as practitioner was understood as both a relatively (but not unique) novel factor and also a risk of researcher bias, although the case selections were made to deliberately avoid subject matter with which the researcher had previously worked. Detailed notes in a field journal following each interview were utilised to maintain awareness, as much as possible, of potential bias and other contextual factors that might have weighted the information gathered and how it was interpreted at the time.

While in most cases, the grounded theory approach would have scheduled primary data collection before the literature review, the pragmatic reality for this research was that, as noted above, the literature review was a continuous process alongside the interrupted fieldwork and online interviews, because of the impacts on the fieldwork of Covid-19 travel restrictions.

The analytical method employed included the following dimensions, as demonstrated in Diagram 3.2.1 below:

- A broad, continuous monitoring of secondary sources, including academic literature, expert mailing lists, specialist and general media

- Interviews with decision makers, key stakeholders and experts for each case and, for context, on China - some during field visits (pre and post-Covid-19) and some online (during the pandemic)
- An intense online program of conferences, webinars and other networking with decision makers, key stakeholders and experts
- A daily field journal to record key salient factors emerging in the literature, media, interviews and online webinars, conferences and other immersion in the issues, to develop understanding of dynamics at play, remaining sceptical of theoretical explanations
- Utilisation of a grounded theory method to identify each risk factor arising from the interviews, including each key factor containing meaning for actors and observers
- Application of analytic induction to build risk concepts from the identified factors, while seeking to understand the dynamics in each specific context
- Development of propositions
- Testing of propositions with peers and selected re-interviewees
- Development of a sustainable interdependence risk framework.

3.3 Information sources

A broad and comprehensive range of information sources were utilised for the research, to support a holistic, multi-layered analysis including objective and subjective qualitative factors, from published data and literature to the perceptions and meanings ascribed to processes by participants and observers:

1. Observable and published data

The researcher has widely read and extracted evidence from reports and websites

on the BRI from the Chinese Government, other governments, international organisations, multilateral development banks, firms, think tanks and non-government organisations.

2. Multidisciplinary academic literature

The researcher conducted an exhaustive review of academic literature on the Belt and Road, (one reviewer noting in the Comprehensive Exam that the author had read everything there was to read on the BRI), although the literature which had been rather limited at the beginning of the research project had begun to proliferate by the end of the research and only literature pertinent to the three case studies was comprehensively reviewed in the latter period.

3. Multidisciplinary media and expert discourse (conferences, webinars, specialist mailing lists, twitter lists, etc.)

The researcher scanned daily media and specialist mailing lists from a wide variety of sources for valid information and observed relevant developments in regular interactions with networks in China and across the Asia Pacific and Europe, including a comprehensive program of expert and practitioner conferences and webinars and participation in online expert discussion groups. Over the course of the Covid-19 pandemic, these webinars and online expert discussion groups necessarily and usefully substituted for the wider program of fieldwork interviews that had originally been envisaged but proved impossible due to travel restrictions.

4. Interviews with decision makers, stakeholders and experts

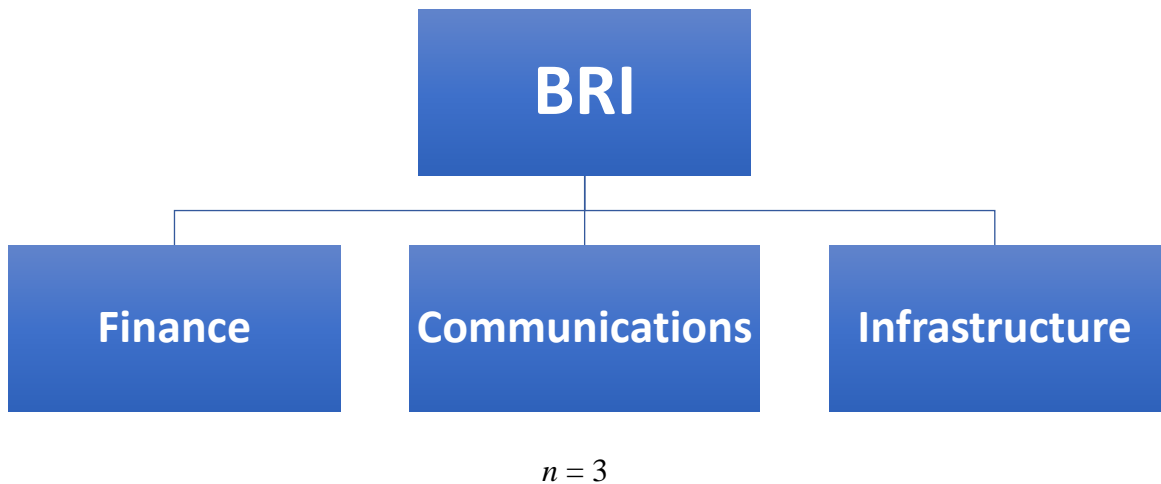
The sets of interviews formed a critical component of the fieldwork (although, due to the pandemic, many were conducted online), to understand how a diverse range of actors including participants and experts understood the dynamics at play and to identify the risk factors they nominated.

5. Field journal

A field journal was initiated at the beginning of the field interviews in 2019, with the intention of recording the fieldwork in depth and in context. When it became apparent that the Covid-19 outbreak would delay (and later significantly constrain) the fieldwork, the field journal was maintained on a daily basis and became more than a record of interviews, rather a record of all above sources of information as well, in particular recording learnings from conferences and webinars and other expert discourse.

3.4 Case study selection

The research project examines three in-depth, representative but quite distinct case studies. Adopting the definition of a case study as “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units” (Gerring, 2004: 342), the three cases were selected in order to identify, analyse and assess any cross-case interdependence risks across the diversity of experience of interdependence with China and the Belt and Road, as well as case-specific risks. The case studies represent three significant domains of interdependence with China for which there is an emerging literature: new financial institutions, digital connectivity and port infrastructure. Within these categories, each case study is a bounded case with highly contextual specificity, in which conditions are examined that coincide with identified risks. In depth analysis of three cases allows a deeper understanding of dynamics at work than might otherwise be possible if examining China in the world, or the BRI, only at the generalisable level, investigating in each case specific, relevant and salient risks in their contexts. The grounded theory approach adopted does not seek to prove causality in the process of identifying risks. In subsequently applying cross-case analysis, it is utilised however to examine set relations (Rohlfing, 2012: 51), in order to discern any relationships between conditions and generalisable risks, or the “effects of causes”, rather than the “cause of effects”. The effects of causes approach is suited to the forward-looking process of political risk analysis, as it allows the development of a risk framework through which to identify, analyse and assess future risks.



3.4.1 Diagram 1: Case study selection

The three cases provide not only a diversity of sectors with different governance rules but also different geographies and institutions, representing some of the diversity of the universe of cases in relation to interdependence with China and the BRI:

1. The first case is the Asian Infrastructure Investment Bank (AIIB), representative of the new institutions that China is creating and leading, which challenge the norms of US-led MDBs and, arguably, the liberal international order. Most international actors have dismissed such risks and welcomed the bank into the multilateral system. Nevertheless, it presents an important case of China's stepped-up role in global governance associated with the BRI, in which China offers a new model for development sometimes described as a "Beijing Consensus". It is a case study of Chinese finance constrained within rules and norms of multilateralism and working with other states with diverse norms, values and interests. The new risks include the potential for China to challenge the leading role of liberal institutions and norms, and to set a new agenda for development, with implications for governments, firms and communities. Particular relevance of this case includes
 - China challenging norms of multilateralism
 - a new, Chinese-created international institution
 - implications for global governance

2. The second case is Huawei, a private sector communications technology firm that is emblematic of Chinese leadership in transformative new technologies that are likely to underpin the so-called “Fourth Industrial Revolution” of inter-connected devices and networks. Huawei is a national champion firm on the “Digital Silk Road”, an informal description of the communications connectivity component of the BRI, building cooperation between China and BRI partners from telecommunications to applications including surveillance technology and “smart cities”. China has proposed global governance of new technologies, which the US resists. There are therefore insufficient existing rules and norms for these new technologies. Huawei has become central to a new US geopolitical drive for advanced economies to decouple from dependence on Chinese supply chains. The new cyber-risks include espionage and sabotage. Some international actors have chosen to avoid risks altogether by banning Huawei, while others seek to mitigate risks by encouraging diversity of suppliers. Particular relevance of this case includes

- China seeking new rules for multilateralism
- a Chinese private sector firm
- implications for global supply chains

3. The third case is the Kyaukphyu port and Special Economic Zone in Myanmar, one of a series of port infrastructure projects underpinning the BRI. Chinese finance, investment and aid to Myanmar represents a critical location on the BRI, providing access from South West China to the Bay of Bengal and the Indian Ocean. The geopolitical significance of the location is that it (along with the more heavily researched Gwadar port in Pakistan) provides an alternative trade route to the choke point of the Malacca Strait, which could be blockaded by the US in the event of escalated confrontation or conflict. The project features one of the major BRI participants, a Chinese State-Owned Enterprise, CITIC. The environment is high-risk, featuring civil conflict, corruption and poor governance, as well as a troubled historic relationship between the two countries. The China-Myanmar bilateral relationship is asymmetrical and unbalanced by any effective regionalism or multilateralism (with most Western powers boycotting the nation because of human rights abuses and a military coup that took place during this research project). Nevertheless, Myanmar has historically stood up to Chinese pressure on

some projects, such as a major hydro-power plant which was cancelled after strong domestic opposition, and this resource-rich neighbour of China therefore warrants further study to understand risks of interdependence with China. The Kyaukphyu case-specific risks include debt traps, seizure of assets and future port militarisation. In these respects, Kyaukphyu resembles the seminal case study in BRI research to date, the Hambantota port in Sri Lanka, but Myanmar has been less studied. Particular relevance of this case includes

- China creating new rules and norms in bilateralism
- a Chinese state-owned enterprise
- geopolitically-driven diversification of global trade routes

These three case studies cannot provide definitive conclusions about the universe of cases that belong to interdependence with China and the BRI, but the case choices represent three important dimensions of the BRI, finance, communications technology and port infrastructure. Other dimensions that warrant further study might include policy coordination and people-to-people links being forged under the umbrella of the BRI, or other horizontal themes across the BRI such as energy or sustainability.

The three elements of interdependence with China covered by the three cases are so different as to be in many ways incomparable as units of observation if proving causality was the primary aim (which, as noted above, it is not). Nevertheless, the diversity of the projects relevant to interdependence with China and the BRI is fundamental to the aim of the research, which is to develop a cross-case interdependence risk framework. Indeed, realist, liberal internationalist and geopolitical discourses are encouraging a narrative that there are inherent risks arising from interdependence with China and the BRI itself, and therefore it was considered justified to test this narrative by examining diverse case studies in depth and from a rich range of sources, rather than simply selecting a highly comparable group of similar units of study. Further, if some case-specific conclusions could be drawn about causality, this would contribute to the value of the research, as a secondary aim.

There remain ontological challenges with three different units of study and an infinite number of conditions (conditions is a preferable term to variables for this qualitative study of diverse cases). However, the research is based on a scepticism about all theories, an

evidence-based, empirical approach to ontology and identification of factor dynamics rather than being restricted to causation. The epistemological challenge for political risk analysis and grounded theory is arguably not as problematical as for a theory-driven approach, as the purpose here is to infer possible risks, which then must be analysed in each specific case. Further research could indeed process-trace and prove or disprove the inferred risks. Indeed, the researcher aims to encourage such further research by demonstrating that a wide range of risks can be inferred but that there is an infinite variety of conditions that must be better understood on the ground.

3.5 Case study interviews

At the outset, it was planned to conduct a series of at least ten semi-structured interviews with decision makers, stakeholders and experts for each case study, i.e. a minimum total of 30 interviews, with expectations to substantially exceed that minimum goal. Over the course of the research, a total of 70 interviews were completed. Interviews were planned to be held in multiple locations and with a diverse set of individuals to avoid groupthink. The original research plan focused on those areas of most importance to the BRI, South East Asia, Central Asia and South Asia, but given the limitations on travel because of the pandemic travel to many locations was problematical, and Europe was added as an area of research focus in particular for the second case study. The researcher's participation in an Erasmus + Jean Monnet Research Network on Eurasian connectivity also allowed research visits to a number of additional locations not originally planned following the lifting of pandemic travel restrictions, all of which complemented the project.

While many of the research interviews were held online (particularly during 2020-21), face to face, in-country fieldwork was carried out in the following locations:

2019

China, Hungary, Myanmar, South Korea

2020

Hungary

2021

Belgium, Hungary

2022

Armenia, Hungary, Kazakhstan, Malaysia, Poland, Singapore, Thailand

A set of generic opening questions was utilised to focus the discussion on risks of the BRI. Three widely used terms were used to stimulate the discussion: opportunities, risks and threats. It was expected these terms would be widely understood as having distinct meanings: opportunities offering benefits, risks including potential negative outcomes (if not mitigated, managed or avoided); and threats constituting challenges to an actor's security. It was anticipated the discussion of these three terms would yield a richer source of inter-connected information than restricting the questions to risk, which may have otherwise been interpreted either too narrowly or too broadly and/or out of context by some interviewees.

The generic opening questions for each interview were based upon the following:

1. What are the opportunities generated by the BRI and in this case?
2. In what conditions do these opportunities arise? What is the best-case scenario? What is the actual-case scenario?
3. What are the risks generated by the BRI and in this case?
4. In what conditions do these risks arise? What is the worst-case scenario? What is the actual-case scenario? What is the likelihood and consequence of these risks?
5. Does the Covid-19 pandemic have any effect?
6. How can the (identified) risks be managed?
7. What are the geopolitical threats? How does the geopolitical contest between China and the US impact in this case? What is the worst-case scenario? What is the actual case scenario?

An adapted version of the Corbin and Strauss (2015) method for grounded theory interviews was applied to seek, in supplementary open discussion with decision makers, stakeholders and experts the following in-depth information of how they understood risk factors on multiple dimensions:

- Thoughts, opinions, views, interpretations
- Narratives, images
- Priorities, preferences
- Processes, practices, behaviours
- Intentions, effects

- Emotions, attitudes
- Perceptions
- Experiences

As a former diplomat, the researcher is a professionally-trained note-taker, skilled in active listening and recording salient concepts, interviewee perceptions and context, including in risk case studies. As some of the proposed interviewees were expected to object to recording of the interviews, only notes were used. At the end of each day in the field, the researcher ensured the field journal was completed with adequate contextual information, record of discussion and first-round identification of risk factors, in order to facilitate accurate later analysis.

After completing the first round of case study interviews and in the process of drafting the thesis, it became evident that the nature of China itself featured as a key risk factor in the perceptions of many interviewees, whether its scale, its economic trajectory or the specific features of its party state. Further, many of these conditions in China itself were changing so fast that it became evident that the research process would benefit from a second round of interviews with China experts to understand those changes in China itself that may or may not impact on the conclusions of the research. The five interviewees in this second round included a former Australian ambassador to China and renowned author and China consultant, a leading British academic expert on Xi Jinping, a world-leading expert on Chinese business, a Chinese academic and a foreign business person who has managed a manufacturing investment in China for a decade. They represented a range of perspectives from - in simplistic terms – “optimistic” to “pessimistic”, and revealed a rich new resource of risk factors relevant to the universe of cases in relation to interdependence with China.

The opening questions for each interview in this second round were based upon the following topics:

1. China’s strategic interests and policy ambitions
2. Risks to political stability, social and economic progress
3. Under-appreciated challenges?
4. How will the Chinese Communist party address these challenges?
5. Threats to social cohesion
6. The internal position of Xi Jinping
7. Zero-Covid risks

8. The real estate bubble
9. Taiwan and the effects of the Ukraine conflict
10. China-US relations and risk of military confrontation
11. China-Europe relations
12. Business risks in China
13. Xinjiang risks
14. Risks of a Trump 2.0 in the US

3.6 Risk identification

Risk factors raised by interviewees were recorded in the field journal and later plotted in Table 9 (7.1).

At the beginning of the research project, it was envisaged that an elaborate system of coding would be utilised, but this soon proved unnecessary and indeed inappropriate for the qualitative nature of the research. The identification of risk factors arose from the interviews quite organically, given the nature of the questions, and often rather consistently, including in relation to likelihood and consequence of identified risks. Where there was inconsistency between interviewees within each case, this was noted but the researcher concluded that, given the limited number of interviews in each case, there was no value in quantitative coding. Rather, inconsistency was tagged and understanding of different perspectives was sought through qualitative scenario analysis rather than forming causative conclusions.

In all cases, interviewees were humans influenced by multiple factors including prevailing narratives, contextual understandings, other complex contextual factors and indeed uncertain dynamics. If the process of analysis is impaired in any way from departing from its original plan to code the evidence, this impairment is accepted as inevitable given the human subjects themselves made comments and judgements based not solely on measurable evidence but from a wide range of expertise and experience, and always in the context of a narrative of interlinked factors. This was observed to be the nature of the interviews, necessitating qualitative rather than quantitative analysis.

3.7 Analytic induction

The information collected from the in-depth case study approach allowed the identification of key themes and patterns. From these key themes and patterns and the observed dynamic interplay between conditions and risk factors, core risk concepts were identified in each case. Analytic induction was then utilised to understand how these risks were constructed by actors and to understand the dynamic interplay between case study conditions and the salient risk factors. Further, the risks were analysed against the cross-case data to test if they applied across the three cases or were case-specific.

Propositions and scenarios were then framed, in the process of developing and operationalising a proposed framework for proportionate assessment of the risks in each case. These propositions and scenarios were developed to address the gap in empirical understanding of risks on the Belt and Road and the paradox identified as the basis of the research project, that governments, firms and communities are likely to seek to balance, manage and mitigate risks in a more complex dynamic than the simplistic binary choice of the dominant discourse in relation to interdependence with China. The sustainable interdependence risk framework, in Table 10 (7.3), was developed with the objective of seeking to provide a method for plausible strategic development, to enable actors to exercise judgement and agency in balancing, managing and mitigating risks. The analysis and the new conceptual framework were continuously tested against the literature and other secondary sources of data collected for each case study, as well as testing with selected interviewees and peers, before developing the research conclusions.

3.8 Feasibility, validity and reliability

The researcher had been reviewing the literature on interdependence with China and the three case studies, as well as a broader number of potential cases, since the launch of the BRI in 2013 (as a practitioner) and judged that there was an emerging, sufficient literature available against which to test the results of the empirical research. Indeed, since the beginning of the research project, as noted above, there has been a proliferation of new literature and new data emerging on interdependence with China and the BRI, which continues to develop in dramatically changing conditions, so this research project must be considered only exploratory rather than seeking to provide conclusive explanations of the processes underway. The problems of interdependence with China and the BRI – and the new world order in which they manifest - remain a work in progress.

The grounded theory approach to building a risk framework was expected to bring original insights to each of the cases, particularly if risk-focused questions could elicit unique insights from participants in the research. It was expected to be challenging to identify and gain access to key decision makers, but probable that the researcher could do so in each of the three cases, drawing on his networks from his previous roles as diplomat and trade official and his contemporary honorary roles in the Asia Pacific. It was envisaged the researcher would spend significant time conducting fieldwork, embedded in local contexts, developing an on-the-ground, multi-disciplinary and multi-dimensional understanding of dynamics at play.

As noted above, the outbreak of Covid-19 severely constrained the envisaged fieldwork component. In China, after travel restrictions were introduced, it proved difficult to replace planned interviews with online interviews, as many who were approached declined to be interviewed online, demonstrating a cultural preference for face-to-face interviews. Further, in the case of Myanmar, the domestic crisis compounded the problem, making it impossible to follow up on the researcher's initial field visit and restricting access to many identified interview subjects. Nevertheless, the research proceeded with a suitable variety of online interviews and was, as noted above, supplemented by a comprehensive program of participation in online webinars, conferences and other expert dialogue, which provided rich sources of information.

The validity and reliability of the primary data collected from the fieldwork was tested by continuous monitoring of multiple sources of secondary data on Chinese international finance, technology and relations with Myanmar. After the development of the propositions and draft interdependence risk framework, construct validity was tested by exposing the draft to peer review. This triangulation from multiple sources and testing identified points of convergence and consensus and points of diverse perceptions and values.

The validity and reliability of the three case studies was further tested by continuous monitoring of secondary data on other Chinese initiatives across a wider sample of cases and geographies, with particular focus on Chinese political and economic engagement with South East Asia, Oceania, Central and Eastern Europe and Central Asia. For example, the researcher published a number of articles and book chapters on China and Oceania during the period of the research and developed lectures and publications from

his participation in the Erasmus + Jean Monnet Research Network on Eurasian connectivity in Central Asia.

The nature of the research was that the data from the fieldwork was qualitative, subjective, case-specific and any cross-case generalisations will be for the purposes of proposing a new sustainable interdependence risk framework that can itself be further tested by additional research. The framework's design was therefore open to constant validity testing. Indeed, in its spatio-temporal specificity, the political risk approach may describe a point in time but will only provide ongoing value if the framework proves flexible enough for analysis to be iterative.

3.9 Research ethics

The research project sought throughout to maintain normative scepticism in the development of a risk framework, yet the researcher inevitably brought a set of presumptions from his thirty-year career as a practitioner in international relations. This problem is explored in the Preface. The research design was therefore based on developing an immersive empirical understanding of how a representative range of actors understand the risks of interdependence with China and the BRI in diverse settings, including settings distant from the researcher's experience. The researcher recorded his subjective perspectives daily, in the field journal, to make these explicit and open to critical questioning in examination of the inductive analyses of the evidence from the case studies. Further, a representative range of decision makers, stakeholders and experts was sought for each case study, to avoid selection bias, and the extent to which this succeeded is evident in the research results.

All interviewees participated by written agreement (either in an exchange of emails or a hard copy consent form) and some requested during the consent process that they remain anonymised. Some of the Myanmar-based interviewees did not make such a request at the time but their names have subsequently been anonymised as a precautionary measure in order to avoid harm and protect their safety in the current circumstances in that country. No recordings were made, but notes were taken during the interviews and written up immediately afterwards in the field journal.

4. THE ASIAN INFRASTRUCTURE INVESTMENT BANK

The first case study is the shortest. It is arguably a “best-case” of risks in interdependence with China and is therefore included for representativeness, but more detailed investigation of risks was made in the more problematical case studies in the following two chapters. Yet China’s multilateral institution building is still perceived as a risk in that part of the world that has traditionally built multilateral institutions with global reach, and such concerns warrant some discussion here. The researcher was able to access senior officials of the bank and interviewed a number of other senior officials of other MDBs.

4.1 The AIIB in theory: risks to the US-led liberal international order

In this discussion of geopolitical contest and risks of interdependence, a critical question is how China will act as a builder of new multilateral institutions. While China has demonstrated aspirations for a leading role in multilateral institutions, from UN peacekeeping to the WTO, and in regional initiatives, such as the RCEP, China has also been the architect of a number of new international initiatives and multilateral institutions that may provide a clearer indication of its goals in a new world order. The AIIB is examined here as a case study of Chinese multilateral entrepreneurialism and as a key plank of China’s BRI and broader program of positioning itself at the centre of regional and global interdependence. While the AIIB is discussed here as a potential “best-case” example of Chinese innovation in multilateralism and economic interdependence, it is of course impossible to extrapolate from one case in international finance to more general conclusions for global governance or across the diversity of the BRI. Nevertheless, with “worst-case” scenarios prevalent in the current discourse, it is proposed that there is value in examining a less gloomy case to understand in what conditions China may, after all, play a constructive – if contested – role in building international cooperation.

The AIIB was announced as part of a suite of international financing vehicles under the broad umbrella of the BRI, including the New Development Bank (NDB, founded in partnership with the BRICS countries, i.e., Brazil, Russia, India and South Africa), a Silk Road Fund, and various regional infrastructure financing funds. In the Western discourse, and indeed sometimes within China, the AIIB is commonly grouped with these other initiatives to represent China’s bid for increased geo-economic power and challenge to

the liberal international order. The Obama administration (which “pivoted” to Asia to reassure its allies of its continued role in the Pacific and arguably began the transition towards strategic competition with China) actively lobbied US allies to oppose the new institution, which it represented as undermining global norms and therefore posing a significant risk to multilateralism (Power, 2016). Only Japan amongst major economies of the region followed the US in boycotting the new bank. The failed campaign against the AIIB arguably contributed to a weakening of US standing in the region and strengthened the role and standing of China (Aberg, 2016). In joining the AIIB, other US allies demonstrated that they were prepared to welcome the AIIB as complementary to the liberal international order and did not perceive it as a risk to multilateralism. This suggests the binary US-led narrative that frames Chinese institution-building as a threat to the liberal international order does not adequately explain the context in which the AIIB was founded or is operating. Indeed, after early concerns, a consensus emerged in the literature that the AIIB did not pose such a risk. This conclusion was supported by the interviews conducted for this research.

The AIIB is a new MDB, established to address the significant infrastructure financing deficit in Asia, the fastest growing region of the world. It began operations in 2016 with 57 member states, including regional economies such as Australia, India, Indonesia, South Korea and Russia, as well as non-regional members such as France, Germany and the United Kingdom (UK). Its headquarters is in Beijing, the first MDB to be based in the Chinese capital (the NDB is headquartered in Shanghai).

As an MDB established by a developing country, and as a multilateral institution with some important new characteristics, the AIIB did indeed represent a set of normative challenges to the US-led liberal international order. First, its creation by rising China reflected a demand for multipolarity in leadership of global economic governance. Second, its structure reflected a more equitable representation of the developing world. Third, its focus was on developing world priorities. Fourth, and finally, it imposed no conditions based on internal political concerns in borrowing countries. Together, these represent priorities that China appears likely to promote more broadly across the multilateral system over time, impacting the external perception of China’s leadership and its norm-setting power in global governance (Peng & Tok, 2016).

The evolution of the multilateral system to accommodate new economic powers and the priorities of the developing world has been a long time coming. In 1944 at Bretton Woods, the US established the International Monetary Fund (IMF) and World Bank Group as part of a network of multilateral institutions centred around the UN system constructed to anchor a liberal international order. In the immediate post-war decades, the Bretton Woods institutions were focused on financing for infrastructure development as a priority, first in reconstruction of Europe and later in developing countries in other regions (Humphrey, 2015). Soon after the establishment of the Bretton Woods system, however, the international order was frozen by the Cold War into two rival camps, a US-led grouping and a Soviet-led grouping (with little space for non-aligned states).

Despite the process of decolonisation that brought a large number of new nations into the UN system, and the subsequent rapid development and growing importance of key Asian and other economies, the multilateral institutions did not adapt to the changing balance. In the Bretton Woods institutions, the non-borrower countries continued to determine the rules and allocation of finance for development. Just as the UN Security Council remained controlled by the same Permanent Five as at its establishment, the World Bank and IMF remained controlled by the US (and its European allies). In the later Cold War era, the Group of 77 (G77) developing nations agitated for a New International Economic Order and the response from the US, convinced of new, prevailing neoliberal economic theories, was to advocate a more muscular market-led agenda as integral to the liberal international order (Gilman, 2017). Consequently, from the 1990s the IMF and World Bank sharply reduced their funding for infrastructure investment to focus instead on neoliberal policy prescriptions (while nevertheless notably also funding poverty alleviation programs). Both institutions applied stringent conditions on finance such as requiring market-oriented economic policy reform and structural economic change, as well as political reforms including observation of human rights (Larionova & Shelepov, 2016; Stephen & Skidmore, 2019).

Financial liberalization, including capital account liberalization, promoted by the Bretton Woods institutions based on the new neoliberal orthodoxy, generated a significant backlash in the developing world, particularly following the Asian Financial Crisis of 1997, and demonstrably failed to deliver the economic success that economists had predicted (Liao, 2015; Chan & Lee, 2017). Further, the conditions imposed by the IMF and World Bank were widely perceived to have failed in their objectives to drive

economic and political reforms (Limpach & Machaelowa, 2010). Meanwhile the ADB, created by Japan in 1966 (while the US prevented the establishment of an Asian Monetary Fund), remained focused on infrastructure financing. Nevertheless, by early in the twenty first century, the MDBs as a whole were widely considered to be failing to address the demand, in particular in rapidly-growing Asia, for infrastructure financing.

The highly successful economic development of an increasing number of countries across Asia had generated significant unmet demand for energy, transport, communications and other infrastructure to sustain growth. The ADB estimated addressing the infrastructure gap in Asia required US\$1.7 trillion per year to 2030 (ADB, 2017). Another problem for some Asian states was that the MDBs had in recent decades demonstrated an aversion to investing in high-risk environments (Humphrey, 2015). Both of these factors provided an opening for a new approach from a rising power.

The establishment of the AIIB, a new multilateral organisation led by and headquartered in China, provides China with an enhanced role in global economic governance, with new rule-making and norm-setting power that is likely to generate strengthened influence in the developing world. It provides legitimacy to China's major role in financing for development, in the face of US (and Japanese) resistance to giving China such legitimacy. Earlier, at the beginning of the twenty first century, liberal internationalists talked about a "G2" that would represent greater global economic coordination between the US and China. The recent switch in US geopolitical strategy designating China a "strategic competitor" makes it unlikely however that China can play a greater role in economic governance without provoking conflict with the US. China's claimed ambition is to reform and democratise, rather than to overthrow, the international system. It has nevertheless created in Beijing a new institution that issues normative challenges to the old order in a way that Japan, in establishing the ADB in Manila and largely in accordance with the norms of the prevailing system, did not. Characteristic of the literature is Carrai's conclusion that the AIIB is "nested" within the liberal international order (Carrai, 2017). Nevertheless, because of its growing economic power, China is uniquely positioned to shape the norms of the future order.

The structure of the AIIB itself importantly diverges from the norm established in the Bretton Woods institutions that entrenched US leadership and the structural dominance of the developed world in decision making. The creation of the new MDB is a response

to the resistance by the existing MDBs to reform voting power to reflect a changing order. Not only does the US by convention provide the President of the World Bank and, by convention, the IMF is led by a European, but the US retains veto-wielding stakes in both. Voting rights of major developing countries, although slightly adjusted in recent years, have not grown to match their relative weight in the global economy. In the IMF, the US has a weighted voting power of 16.52%, with the world's third largest economy, Japan, at 6.15%. China, although a larger economy than Japan, has 6.09% even since recent reforms. In the World Bank Group, the US retains voting rights of 15.98%, with Japan at 6.89% and China at only 4.45%. The ADB established by Japan provides equal voting rights of 15.6% to Japan and the US (both must combine to exercise a veto), with only 6.4% to China. The imbalance is clear, but significant reform of the Bretton Woods institutions has long been blocked by the US Congress, with the belated small-scale adjustment of voting shares approved by Congress in 2015 arguably in response to the establishment of the AIIB itself (Peng & Tok, 2016).

The AIIB uses a similar formula to the other MDBs in determining voting rights based on a combination of basic votes, share votes and Founding Member votes. Where it diverges from the Bretton Woods institutions, however, is that from its establishment, developing countries have a structural majority and nine of the twelve directorships are reserved for Asian members (in the ADB, also, a majority of the board of directors are from regional members). Moreover, China holds 26.59% voting power in the AIIB providing it with a veto over key strategic decisions. A super-majority of 75% of votes (therefore including China) is required to amend the founding treaty including decisions such as authorized capital, subscription of shares, composition of the Board of Directors, election of the President of the Bank, suspension of a member or distribution of assets. China offered to reduce its voting share to below the veto threshold if the US and Japan agreed to join as co-founding members, as part of its bid to attract broad international involvement (Hu, 2015). The Chinese veto does not extend to operational matters such as project approvals, but to be defeated it would require all other members to unite against a Chinese position.

The normative challenge set by the AIIB would, if extended to other organisations in the multilateral system, see a shift of power to the developing world commensurate with its economic weight. It may be difficult in the long term for the US to justify its resistance

to this trend, although the deteriorating geopolitical contest with China appears likely to indefinitely postpone any such self-examination.

The geopolitical contest is of less interest to the developing world than economic development. The AIIB normatively endorses China's model of infrastructure-driven development, which itself builds upon the successful East Asian model of development. It is possible that, by successfully leveraging more finance for infrastructure and if projects are successfully implemented, the AIIB may reinforce the emerging consensus in Asia (and more broadly across the developing world) that there is an alternative development path to the "Washington Consensus". As noted above, disillusionment with the IMF and World Bank's preferred neoliberal economic solutions had already become apparent well before the AIIB was established. Some have referred to the alternative Chinese model as a "Beijing Consensus" (Yagci, 2016), characterised by a focus on industrialization and a central role for state investment in infrastructure to build capabilities to attract investment and build export industries. Prior to the establishment of the AIIB, or even the announcement of the BRI, China had already begun to embark on an ambitious program of extending development finance for developing country partners to build infrastructure. Its domestic policy banks, the Export Import Bank of China (EXIM Bank) and China Development Bank (CDB) remain by far the largest funders of what are now labelled "Belt and Road" projects, lending Chinese foreign currency reserves to developing countries. Indeed, the CDB is now the world's largest source of development finance. The new initiatives such as the AIIB and the NDB represent the internationalization of this effort and further spreading of risk, as Chinese capital alone cannot fund the infrastructure needs of the developing world.

The final important normative challenge of the AIIB is its commitment not to attach political conditions to its lending. This is a significant break from the practices of the Bretton Woods institutions. The IMF and World Bank have explicitly linked financing to encouraging practices considered important to good governance including accountability, rule of law, human rights, decentralized political authority, political pluralism and participation. China has consistently opposed the imposition of such conditions, and, in this, it is supported by others in the developing world. For China, claimed "non-interference" in the internal affairs of other countries is a key plank of its contemporary foreign policy orthodoxy and a driving principle in its participation in the multilateral system. China often abstains or opposes moves in the UN that it perceives as interfering

in the internal affairs of member states. China is particularly sensitive about international interference within its own sovereign territory, considered to be at least partly a result of its “century of humiliation” at the hands of imperial powers. Such sensitivity to foreign interference is not unusual for any nation but China is certainly unique as a rising power in its claim that it will not interfere in other nations’ internal affairs. The claim is widely distrusted in the international community. Article 31 of the AIIB’s *Articles of Agreement* states it “shall not interfere in the political affairs of any member” and further that its decisions will not be influenced by “political character” of any members.

Risks in relation to the AIIB and the dynamic environment for international financing for development identified by interviewees and arising in the literature are illustrated in Table 3 below.

Geopolitical risks	Interdependence risks
Challenges US leadership of international system	Infrastructure financing deficit, including private finance
Builds “parallel order” of institutions and influence	Governance, standards and practices in multilateral financing
Strengthens representation of developing world in global governance	Aversion of MDBs to finance infrastructure in high-risk environments (risks need to be spread)
Shifts focus to developing world priorities for development	Sustainability and health financing deficits
	Debt sustainability

Undermines MDB norms such as political conditionality	
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4.1.1 Table 3: AIIB risks

China may still be a “partial power” (Shambaugh, 2013), a long way from matching the hard and soft power of the US, but the creation of the AIIB, as part of a suite of other initiatives for financing development, indicates that China is beginning to exercise influence in shaping new norms in the international system. Whether this constitutes a set of geopolitical risks is important to consider, given the prevailing geopolitical contest between the US, as the lead player international finance, and China as challenger. Some of the early literature suggested the AIIB indeed generated new risks including that the institution was part of China’s apparent geopolitical project to build a “parallel order” and sphere of influence to ultimately challenge the prevailing international rules (Hodzi & Chen, 2017). A closer examination of the operations of the AIIB including interviews conducted for this research put such fears into context. One AIIB interviewee pointed out a particular risk emerged in the bank’s early years of operation that the US itself could withdraw from multilateralism, including MDBs (during the Trump years). If the AIIB provides a case for how China will wield its growing influence, when it combines with others in multilateralism, it does not appear to undermine the liberal international order but certainly seeks to reform it. So far, rather than posing risks, even if raising normative challenges, the AIIB and even Chinese development finance channelled through its CDB or other multilateral funds appear better described in practice as “business as usual” (Babones, Aberg & Hodzi, 2020).

An alternative way of looking at the AIIB which arose throughout the interviews was that the new institution had the potential to address some of the interdependence risks and problems in international finance, including a lack of private finance for infrastructure, the need for common standards and practices, and a deficit of funding for public health and green transformation projects. These were understood as risks but also opportunities for interdependence, in particular for the AIIB to address in collaboration with other MDBs.

4.2 The AIIB in practice: collaborating to address interdependence

risks

The AIIB commenced operations in January 2016 with initial pledged capital of \$100 billion (about two thirds the size of the ADB). The Bank reached a milestone of one hundred approved memberships by mid-2019, at which time it had provided \$8.5 billion in finance to 45 projects in 18 countries and received the highest credit ratings from the world's three leading rating agencies, Standard & Poor's, Moody's and Fitch Group (*China Daily*, 2019, July 15). In its first five years of operation, there has been no evidence to sustain the concerns at its foundation that the AIIB would be driven by Chinese policy priorities. The leading destination for AIIB investment in its first five years of operation was India (itself a strategic rival of China), with funding for 21 approved projects worth a total of \$5.4 billion at January 2021 (AIIB, 2021). Indeed, as one interviewee noted, the AIIB provides an opportunity for countries nervous of borrowing directly from China to indirectly access Chinese finance. Other leading destinations for approved finance in the AIIB's first five years were Indonesia (\$2.4 billion), Turkey and Bangladesh (both around \$2.1 billion). By the beginning of 2021, the bank had approved 112 projects with total financing of \$23.1 billion (AIIB, 2021).

Jin Liqun, a former Vice President of the ADB and Chinese Vice Minister of Finance, was appointed to lead the establishment of the AIIB as inaugural President and Chair of the Board of Directors and was reappointed in 2020 for a second term. The Board of Directors is non-resident, designed to provide separation between strategic policy, budget and management supervision determined by member states, on the one hand, and day-to-day operations determined by professional management, on the other hand. This arguably provides higher efficiency than in the case of the Bretton Woods institutions, with their resident boards of directors overseeing operations (Stephen & Skidmore, 2019), who are driven by non-borrower priorities (Humphrey, 2015). Expert and experienced staff have been recruited from other MDBs to assist the AIIB to learn, build its capabilities and implement best practices. A high proportion of staff is internationally educated (Oswald, 2017; Shelepov, 2018). While the operating structure mirrors those of the Bretton Woods institutions, it is slimmer, allowing fast and efficient decision making. The AIIB has pursued a "lean, clean and green" philosophy, seeking to demonstrate that it can overcome the widely observed constraints on the traditional MDBs by operating with a smaller team without a resident board as well as with less cumbersome and costly

processes for borrowers, yet still meet high standards (Humphrey, 2015). While, in time, it may provide healthy competition to the Bretton Woods institutions, in its early years the AIIB seeks to learn from them and, as an ongoing priority, to work with established MDBs collaboratively, a point that was emphasised in the interviews conducted for this research.

Despite fears when it was launched that the AIIB would prioritize Chinese firms and would operate at lower standards than other MDBs (Hameiri & Jones, 2018), the bank has been widely observed to be implementing standard industry practices. Throughout its operations, its commitment to best practices, including in project appraisal, zero tolerance for corruption, open public procurement and transparent tendering, remains modelled on the established MDBs. In so doing, the AIIB has internalised a set of operating practices from other multilateral institutions. It combined with other MDBs to prevent corrupt bidding practices in the Agreement on Mutual Enforcement of Debarment Decisions (AIIB, 2017). An interviewee noted the AIIB will from time to time utilise Chinese firms on technical grounds, reflecting that Chinese firms are amongst the best in the world for constructing roads and bridges, but that its decision making is driven by achieving the highest standards in infrastructure investment. To be sure, however, the AIIB's adoption of transparent processes has not been matched by the Chinese government's bilateral aid and infrastructure lending. It is as yet unclear if the AIIB will be a source of learning for the Chinese domestic policy banks over time (Chan & Lee, 2017; Stephen & Skidmore, 2019). An interviewee from the bank noted the AIIB actively shares experience with other institutions and business groupings including the Chinese International Contractors Association, and that one of the reasons for its green on-lending facility with China EXIM Bank was in order to promote high environmental and other standards.

Cooperation with other multilateral and bilateral development institutions is cited as core to the AIIB's purpose in Article 1 of the Bank's *Articles of Agreement* and demonstrates the AIIB's potential to bolster not only regional economic security but multilateralism. In its operations to date, the AIIB has sought to maximise its impact, leverage its contributions, spread risks and harness other benefits from co-financing projects with other MDBs. Approximately three quarters of projects approved to date have been co-financed with other institutions (Shelepov, 2018) and these have been widely observed to be constructive partnerships (Gåsemyr, 2019). For example, an early approved project to support a new energy project in Myanmar was co-financed with the ADB and World

Bank and the Zhanatas Wind Farm project in Kazakhstan was co-financed with the European Bank for Reconstruction and Development (EBRD), the Green Climate Fund (GCF) and China's giant private bank, Industrial and Commercial Bank of China (ICBC), and built and operated by China International Power Holding (EBRD, 2020). The AIIB has cooperation and co-financing agreements with the World Bank, ADB, NDB, EBRD, European Investment Bank (EIB), Inter-American Development Bank (IDB) and the Eurasian Development Bank (EaDB). Co-financing with MDBs has three main operational effects in addition to increasing the pool of funds available for infrastructure projects. First, co-financing shares and mitigates risks. Second, it ensures that the AIIB aligns with and therefore reinforces the best practice standards and operations of other MDBs, as it is bound in co-financing agreements to follow standards in areas from procurement to environmental sustainability. Third, by leveraging resources, developing common approaches and spreading risks across multiple institutions, the AIIB facilitates coordination, cooperation and strengthening of the multilateral system, ensuring that it is positioned over time as a non-controversial contributor to the network of MDBs. Interviewees noted the AIIB assists in spreading risk and that it indeed utilises similar risk scanning as other MDBs to assess debt sustainability of borrower countries, with an annual risk appetite statement approved by the Board of Directors.

Further, the AIIB seeks to become a leader in catalysing private capital investment in infrastructure by working on developing emerging market infrastructure as an asset class. The objective is to develop a pipeline of private sector projects for which the bank will provide leveraging finance, in partnership with other MDBs, commercial banks and institutional investors, to achieve a ratio of sovereign and private funds providing half of the capital for projects, although the plans have been delayed by the Covid-19 crisis (Gao, 2020). The AIIB has a goal to provide 50 per cent of financing to non-sovereign lenders by 2030. Becoming a leader in this field will require maintenance of the highest reputation for the AIIB, its staff, operations and outcomes. In 2022, the AIIB announced its first on-line lending facility to a financial institution within a member country, a \$200 million facility for Infrastructure Development Co. Ltd in Bangladesh, which will on-lend to private sector companies for infrastructure projects (AIIB, 2022, May 11). Such facilities will allow the AIIB to support financing for projects that are too small for traditional MDB funding, which has been a problem in much of the developing world, including for example the Pacific islands, where projects rarely reach the minimum threshold for MDB funding.

In response to the Covid-19 pandemic, the AIIB established a \$13 billion Crisis Recovery Facility, which it deployed in co-financed initiatives with other MDBs to finance immediate health sector needs of members as well as to provide emergency liquidity support for critical sectors. By the end of 2020, 27 projects had been approved (worth more than \$7 billion), including large-scale assistance to bigger members such as a \$250 million loan to Bangladesh as well as some unusually small but targeted financing such as a \$20 million facility for tourism industry resilience in the Cook Islands and similar \$50 million facilities for Fiji and the Kyrgyz Republic (AIIB, 2021). In its first project outside Asia, the AIIB is financing a \$216 million upgrade of 17 hospital buildings in Budapest, Hungary, to purchase diagnostic equipment and protective gear, under its Crisis Recovery Facility. In an unusual foray into the EU, the bank explained that the EU had prioritised regional health infrastructure and not the capital, yet the underlying conditions in Hungary (which had suffered amongst the worst per capita death rates) risked a further Covid-19 outbreak (AIIB, 2021, August 26).

Following the further challenge to the international system when Russia invaded Ukraine in February 2022, the Bank issued a statement confirming the “AIIB is a multilateral organization created by an international treaty, and adherence to international law lies at the very core of our institution” and placed all activities related to Russia and Belarus on hold and under review (AIIB, 2022, March 3). An AIIB interviewee advised that the process of making that policy decision was “smooth”, noting the bank has policies to regulate its operations which include an international relations policy. Under that policy, the bank abides by UN sanctions, for example. While it is not obliged to follow bilateral sanctions, it lends in US dollars and therefore has to “attend to” restrictions placed on the US dollar. A vice president of the bank advised in an interview that geopolitical tensions have influenced operations of the bank “less than expected” and that the bank is compelled to only have regard to economic factors. He said the Board of Directors tries hard to keep geopolitics out of discussions and that, as a new institution, it has an opportunity to innovate in MDB governance, including remaining focused on “infrastructure for tomorrow”, working with member states on their future needs, and that the bank’s practical focus had worked to date. The vice president was adamant that the bank had no link to the BRI or any other list of projects, developing its own projects without any influence of political labels.

The bank's commitment to sustainability throughout its lending portfolio has become an integral operational principle that will strengthen its reputation, and which aligns the work of the AIIB with the priorities of the multilateral system as articulated in the UN 2030 Sustainable Development Goals and industry standards known as ESG. The AIIB has identified carbon-intensive infrastructure investment as a risk to be avoided in the post-Covid recovery and set a target in its 10-year Corporate Strategy for overall financing of climate action to reach 50 per cent by 2025 (AIIB, 2021). Sustainable infrastructure is one of the bank's three thematic priorities and it is funding projects in renewable energy, energy efficiency, rehabilitation and upgrading of existing plants, and transmission and distribution networks to support member states in achieving their commitments under the Paris Climate Agreement and national development plans. Projects have included wind power in Kazakhstan; solar power in Egypt, India and Oman; village infrastructure in Uzbekistan; improved energy efficiency in Bangladesh; coal to gas transition in northern China; geothermal energy in Turkey; and a \$100 million investment in the ADM Capital Elkhorn Emerging Asia Renewable Energy Fund. The AIIB has adopted a Social and Environmental Framework to ensure environmental and social sustainability of its infrastructure projects. In 2019, the Bank launched a \$500 million Asia Climate Bond Portfolio, in partnership with European asset manager Amundi, aiming to bolster the underdeveloped climate bond market (AIIB, 2019) and in 2020 launched its first "Panda Bond", a Chinese renminbi-denominated sustainable infrastructure bond (AIIB, 2021). It is also developing a Water Strategy, to guide the investment sector in addressing water security challenges, to which the AIIB has contributed \$1.4 billion (International Institute for Sustainable Development, 2019). A feature of the AIIB has become that it incorporates the complex environmental standards of other MDBs while working closely with borrowing countries to support simplification of socio-economic analysis frameworks (Júnior & Jukemara, 2022).

China is seeking to position itself as a champion of renewable energy with massive investments in new technologies and infrastructure within China. Notably, however, China continues through its bilateral programs for infrastructure financing to build coal-fired power stations across the developing world, attracting much criticism and in contradiction with the AIIB's focus on green infrastructure. While the Chinese government has signalled that it will shift out of financing international coal-fired power projects, Chinese banks continue to increase funding for domestic coal projects (Bloomberg, 2022, April 13).

Geopolitical contest	Balancing risks	Interdependence
Resistance to AIIB failed, weakening US position	Challenges US leadership of international system	AIIB represents multipolarity
Potential US withdrawal from multilateralism?	Builds “parallel order” of institutions and influence	New institution contributes to world order
Likely resistance to any further democratisation of global governance	Strengthens representation of developing world in global governance	Diverse stakeholder needs and demands addressed
Stimulates more competitive initiatives to address developing world priorities	Shifts focus to developing world priorities for development	Practical focus on infrastructure and priority outcomes
Emphasis on normative values	Undermines MDB norms such as political conditionality	Emphasis on development priorities
Stimulates more competitive initiatives for infrastructure financing	Infrastructure financing deficit, including private finance	Addresses unmet need, leverages private finance

Undermines high MDB standards and practices	Governance, standards and practices in multilateral financing	Supports development of common standards and practices across financial institutions, including in the developing world
Narrative of geopolitical “influence” of competitor	Aversion of MDBs to finance infrastructure in high-risk environments	Spreads risk amongst partner institutions by cooperating with other MDBs
Stimulates more competitive initiatives for sustainability and health financing	Sustainability and health financing deficits	Supports capacity in developing world for sustainability and health security
Potentially deepens debt distress in developing world	Debt sustainability	Coordinated debt sustainability risk management with other MDBs

4.2.1 Table 4: Indicative international finance risk management framework

4.3 Conclusion

The case of the AIIB provides some reasons for optimism that Chinese leadership in international institution building can make a net positive contribution to global governance and should not simply be framed as generating risks. To be sure, Chinese institution building does raise normative challenges to traditional approaches in international finance, while indeed it may simultaneously contribute to addressing risks of interdependence. The AIIB represents China’s ambition and its norm entrepreneurship in an important area of international cooperation, infrastructure finance in the fastest growing region of the world. The results so far indicate a bias towards multilateral

cooperation, best practices and a focus on building regional and global economic, social, health and environmental security. From observation of its early operations, the AIIB represents a new public good created by China that is both complementary to the liberal international order, in augmenting the deficient financing of infrastructure by the existing institutions, even as it challenges some of the norms of those institutions. By bolstering finance for sustainable development amongst its member states, the AIIB has contributed a welcome focus on mitigating environmental risks in the world's most populous region, while it has contributed as well to economic growth, health responses and social projects.

The AIIB however represents two new tests for the liberal international order: whether that order can incorporate a new leading power and, at the same time, whether the new power's attempts to reform the international order will undermine or strengthen that order. The US allies that joined the AIIB essentially voted with their feet on the first question, welcoming China into the business of institution-building, just as China had been welcomed into the UN system after 1971 and the WTO in 2001. The second question is more difficult to answer conclusively in this period of geopolitical transition. The creation of the AIIB is likely to be followed by further initiatives from China to shift the international system away from US leadership, towards a multipolar system. China's impact on the liberal international order is therefore a work in progress. Further research on other new Chinese institutions and initiatives in the international system will be important to understand the new order.

China confounds some observers because it does not conform to Western narratives, and neither should we expect that it will in future. In what would be considered contradictory actions in any other country, China simultaneously builds its own model of economic development while also adopting and integrating experiences and best practices from outside its own model. Both of these tendencies are apparent in its design of the AIIB, which therefore contributes to a new pluralism in the international system.

The AIIB challenges a number of prevailing norms, including replacing the disproportionate power of the US and the advanced economies in the multilateral system with a more proportionate role for China and other developing countries, a new focus on infrastructure-led development which is built on Chinese confidence in the East Asian development model, and a shift away from the Bretton Woods practices of using financing conditions to drive liberal democratic and neo-liberal economic reforms.

The AIIB case may not be generalisable. Geopolitical risks remain in conditions of geopolitical contest between the US and China, and concerns (even fears) are likely to persist about China's intentions in the new international order amongst liberal democracies, given its authoritarian domestic system of governance with low levels of transparency. Even if the AIIB is one example of how China acts in multilateral cooperation with others, it cannot necessarily represent how China acts in bilateral economic cooperation or in other areas. The AIIB, along with China's other international financing activities under the umbrella of the BRI, reinforces the trend to multipolarity in the international system. If the AIIB can at least be a source of learning to implement best practices across those broader programs of infrastructure funding, it will be very helpful indeed.

5. HUAWEI

Geo-economically active states that oppose rival foreign states will obviously oppose private foreign companies that are the chosen instruments of those rivals, as well as private foreign companies that simply have the misfortune to stand in the way.

(Luttwak, 1990: 22)

This is the longest and most intensively researched of the three case studies, as it became clearer over the course of the research that the rival techno-nationalisms and the geopolitical contest to set the norms and rules of the Fourth Industrial Revolution go to the very heart of the questions in this research about risks of interdependence in the emerging world order, and that the paradox of the Huawei case demonstrates the uncertainties, risks and also opportunities of digital interdependence.

5.1 Introduction

Digital connectivity is one of the critical areas of interdependence with China that paradoxically simultaneously exhibits conflict, competition, convergence and cooperation. New technologies beginning to be deployed in the 2020s promise to transform lifestyles and industries, driven by innovation in quantum computing, high-speed communications, AI and data analytics. This so-called “Fourth Industrial Revolution” (Schwab, 2016) is widely expected to connect devices and much of the physical (especially, but not exclusively, urban) environment to transform energy, transport, industrial production, consumption and waste management. These new technologies are expected to radically improve efficiencies, reduce costs and, in the process of interconnectivity, yield huge quantities of data to target products and services to meet individual and organisational needs and indeed to support the transition to greater sustainability. These transformative new connectivities however raise questions about governance, such as the values underpinning new business models, rules, norms and standards in relation to public goods as well as personal privacy. They also raise important challenges for national security. Indeed, digital connectivity has moved to the centre of the emerging geopolitical contest between China and the US, with tech weaponized on both sides by state actors to gain advantage, exploit rivals’ vulnerabilities, and to protect

against cyber threats. This has impacted on other states, the international system and indeed on a wide range of international businesses as well as other actors. Huawei is examined here as a particular target of the US contest with China, and as a particularly successful case of Chinese internationalism, that illustrates a wide range of political risks as well as opportunities.

China has traditionally pursued technological development as a key component of its economic planning, in recognition of the key role of domestic innovation in driving economic modernisation. With the Chinese economy now in a transition from its early stage-high growth phase, it is doubling down on innovation in new technologies in its bid to overcome the middle-income trap, in many ways following the path beaten by Japan and Korea in earlier economic transitions. While China has long protected its tech industry (and, more broadly, its political system) against perceived digital security threats, it has at the same time become deeply embedded in global tech interdependence through providing important elements of global value chains, involving both domestic and international businesses. It is therefore integrated into elements of the global system at the same time as maintaining self-reliance and deep suspicion of outside actors in political and security terms. Its active support of its tech sector leads to it being labelled by its rival as pursuing techno-nationalism. The US, also a leader in the global digital economy and a proponent of an open and globalized digital domain, has lost confidence in interdependence with China – with decision makers and opinion leaders positioning China as a threat to an open and globalized digital economy – and has embarked on a campaign of its own techno-nationalism, including economic blockades against Chinese companies, extending to a campaign beyond US borders and targeting an increasing number of China-related supply chains.

Huawei, a leader in Fifth Generation (5G) wireless and fibre telecommunications networks, which will underpin Fourth Industrial Revolution technologies, has become emblematic of the “China risks” which play an integral role in driving US strategies. Huawei was first singled out by the US and some of its allies with claims of espionage risks and other threats to national security. Further, the US and others have also become concerned that Huawei and other Chinese firms are constructing international infrastructure and developing global industry rules and standards that will extend Chinese state power and favour Chinese industry. It is a paradox that claims of security risks or state influence – even without compelling public evidence of malicious intent – cannot

be disproved within the normative discourse of geopolitical pushback against China's rise. Because of the nature of national security (including espionage and other information that may never be made public), the debate to date has been largely evidence-free, but nevertheless raises serious risks. In spiralling distrust between the US and China, expectations are growing amongst some stakeholders that complex tech interdependence may collapse, and multiple regions of competing tech rules, norms and standards could develop, decoupling the two major economies and contributing to a new Cold War.

The Huawei case is a rapidly changing contemporary case. The following analysis of the Huawei paradox is based on a series of interviews with key stakeholders and experts across a range of geographies, participation in a range of relevant online and live events including Huawei events, as well as a survey of the contemporary literature, think tank reports and media.

The implications of the Huawei debate are far broader than one firm or even one industry. Emerging technologies such as 5G wireless communications (one hundred times faster than 4G, with dramatically lower latency or delays in electronic communication, and connected to a rapidly growing number of smart devices) are widely expected to play a critical role in transformative new industries and value chains. These new industries and value chains promise to potentially empower the international community to address a wide range of social, economic and environmental problems. They will simultaneously, however, generate a new range of risks, including military and intelligence applications. The race to build and deploy such new capabilities is underway. The Fourth Industrial Revolution is expected to be driven by a convergence of emerging technologies underpinned by the super-fast 5G communications, digitally connecting AI, big data, robotics and quantum computing to a so-called Internet of Things. With high-speed automated processes, an exponential increase in efficiency and productivity is envisaged that will reshape economies. If the new tech on the horizon lives up to expectations, it may have potential to reshape the world as dramatically as the first, second and third industrial revolutions. The champion firms of these new technologies, including Huawei for 5G communications, might therefore be positioned to have as much transformational impact as the champion firms of the earlier digital economy, and earlier industrial revolutions.

On the cusp of this technological breakthrough, however, the tech world is splintering into rival camps. Both China and the US are pursuing policies to build competing systems of tech governance, rules, norms and standards, and the US and some of its allies have in recent years stepped up actions to decouple from Chinese tech. Whether this trend is motivated primarily by risk reduction or geopolitical competition, or a combination of both, remains difficult to assess, but there are certainly risks in deeper and broader tech interdependence, just as there are risks in decoupling. Further, it is unclear whether risks might be better managed by investing in new forms of complex interdependence or, on the other hand, whether complete tech decoupling is even feasible. These questions rest upon US and Chinese geopolitical imperatives and actions as much as questions of global tech governance. This discussion of the Huawei case must therefore be placed in the context of, firstly, US predominance in the Third Industrial Revolution and, secondly, China's new tech aspirations to lead the Fourth Industrial Revolution, before exploring questions of political risks and global policy.

5.2 US-China tech competition

Technological innovation in the early twenty first century was dominated by US firms. Powered by its massive national research and development capabilities, fuelled in earlier times by significant government subsidies and defence and intelligence budgets that dwarfed all other nations and were deployed to see off competitors such as Japan, the US generated innovations - including the internet itself - and its firms dominated global computer and semiconductor (microchip) value chains. The technological breakthroughs of the Third Industrial Revolution led to the creation of new information platforms that have transformed economies and societies and built the largest and most powerful monopolistic corporations the world has ever seen, such as Google, Microsoft and Facebook. These firms have amassed unprecedented capital from providing platform services, generating massive revenues from advertising but providing little employment and resisting taxation. With the US and other advanced economies influenced by neoliberal principles of minimal regulation, free markets and open societies, these firms expanded internationally with few constraints and fiercely resisted attempts at regulation. Indeed, the backbone of the digital economy, the internet, evolved with only limited private sector oversight (for example in administering domain names) but had no agreed set of international rules, norms or standards. The public good opportunities of the information age were evident, with billions interacting with platforms such as Google and

Facebook, and notably these firms adopted values that mirrored the US faith in open information exchange. The risks of an information free-for-all however became evident by the second decade of the twenty first century, with the rise of disinformation as a social and political phenomenon that rocked even the foundations of US democracy, as well as fuelling ethno-nationalist populism around the world. The business models of the giant US digital platform companies, to surveil and monetize data on users (Zuboff, 2019), raised significant risks themselves, which are beyond the scope of this research project to explore but which are matters of intense debate in open and closed societies alike.

Moreover, the first-stage digital economy emerged at a time not only of prevailing neoliberal social and economic policy but also neoconservative foreign policy, with the US committed to wielding its post-Cold War unipolar power to enforce its will, including two decades of warfare in the Middle East, and a period of waning US enthusiasm for the inevitable compromises inherent in multilateralism. The absence of multilateral rules or enforcement of cyber security standards also provided an environment in which the US and its allies in its “Five Eyes” intelligence-gathering network (Australia, Canada, United Kingdom and New Zealand) regularly used the internet, telecommunications companies such as AT&T and new platforms such as Google and Facebook to conduct espionage against foreign and domestic targets (*The New York Times*, 2015, August 15; Snowden, 2019; Biddle, 2020). Of course, other powers with less open societies also engaged in similar actions and, as we shall see below, the expectation that China is doing the same, potentially utilising firms such as Huawei as a vector for espionage, has become central to the new cybersecurity debate.

Meanwhile, after four decades of modernisation and rapid, state-driven development, China has emerged as a competitor to the US as a leader in digital connectivity. China has developed a highly competitive technology sector as a result of a subsidised drive for greater self-reliance as well as transforming its role in global value chains, from low value assembly to designing, manufacturing and delivering higher value components and services. Initially highly reliant on foreign investors for technology transfer, a powerhouse innovation culture has developed in China in recent years. Shenzhen, a traditional centre of China’s opening up to the global economy, now stands out as a private-sector dominated “new Silicon Valley”, featuring thousands of venture capital-funded start-ups in a competitive environment with a high turn-over of businesses (Lu, 2022). Out of that environment globally successful tech firms have emerged including

internet platform giant Tencent, drone innovator DJI and the subject of this case study, telecommunications leader Huawei. China's burgeoning innovation culture is reflected in its rapid growth of patent registrations, which surpassed the US in number for the first time in 2019 (World Intellectual Property Organization, 2020), although it is unclear whether the surge in quantity of patents yet equates to consistent quality. China has certainly become a world leader in key sectors of the new economy including e-commerce, mobile payments, cloud computing, quantum computing, AI and, as discussed here, 5G high-speed communications equipment and services (Zhang & Chen, 2019).

In the characteristic manner of China's party state, the government has developed a series of plans and policy measures to drive innovation in technology, such as the Made in China 2025 initiative, Internet Plus and the 2017 Next Generation Artificial Intelligence Development Plan, all designed to make China a leading digital power. In 2020, the State Council formally designated data as a new factor of production, to be integrated into social and economic planning (Central Committee and State Council, 2020). This confidence in the potential of technology mirrors a characteristic Asian optimism about technological transformation as a driver of development and reflects enthusiasm about Chinese technological innovation amongst decision makers and domestic consumers alike.

The Chinese government has actively begun to develop rules and standards for the digital economy, including a domestic Cybersecurity Law, a Personal Information Protection Law and a China Standards 2035 Plan under development. Consistent with its long-term concern about cybersecurity, China's regulations require data generated within mainland China to remain in China, with its Cybersecurity Law establishing data sovereignty, although that does not extend extra-territorially, as does the EU's General Data Protection Regulation (GDPR), except in relation to the state's responsibility to monitor, prevent and handle cybersecurity risks and threats. While China's foreign policy has traditionally emphasised non-intervention, and its laws are not intended to apply extra-territorially, it is unclear how this is likely to be implemented (Erie & Streinz, 2022). For international firms operating in China, there are therefore costs of abiding by (and keeping up with rapidly evolving) rules on data localisation, cross-border transfer security and cybersecurity, and additional costs to abide by different rules in other jurisdictions (Douglas & Feldshuh, 2022). Other new regulations governing cyber privacy and on the operations of technology firms are modelled on, and in some ways extend beyond, the

EU model for cyber privacy (which will be discussed further below). At the same time, the Chinese government has kept a tight leash of digital censorship consistent with its authoritarian style of governance and fear of international influence, with a sophisticated firewall restricting Chinese citizens from accessing foreign information that is deemed politically subversive. In recent times, there has been a broader clampdown on technology platforms and in particular high-profile tech firms, enforcing data privacy and cybersecurity regulations, as well as reflecting (as noted by one interviewee for this research) apparent government concerns that private firms held more data on Chinese citizens than the state itself. In multilateral forums, China and the US have therefore approached questions of global technology governance from different positions.

China's ambitions for tech leadership have been met with alarm amongst policy makers in the US (Zenglein & Holzmann, 2019). Chinese corporate practices are commonly criticised not only for forced technology transfer through joint venture requirements, but cyber-espionage and hacking to steal corporate secrets. Although it is not possible to find evidence of such assertions on the public record, these claims are regularly cited by think tanks and in the media (RWR Advisory Group, 2019). After 2017, when the Trump Administration declared China a "strategic competitor", the US began a rolling series of economic blockades and a narrative war. While US tech firms tended to oppose the more geopolitically-inspired restrictions Washington began placing on tech interdependence with China, half of US tech firms nevertheless supported the specific US restrictions on Huawei, which are discussed further below (Birnbaum & Lapowsky, 2021). The Biden Administration continued to widen the net of global restrictions on Chinese technology firms (*Reuters*, 2021), including placing sanctions on a growing number of Chinese supercomputing organisations (*South China Morning Post*, 2021, April 13) and urging allies to prevent sales of technology to China that would assist its domestic semiconductor industry (*Bloomberg*, 2022, July 5). Executive Order 13873 on Security the Information and Communications Technology and Services Supply Chain required US government oversight of all cross-border transactions related to infrastructure in financial services, energy, agriculture, communications and sensitive personal data.

China has reacted to the more confrontational approach from the US by doubling down on its industrial strategy to drive further tech innovation, making technology self-reliance a central feature of its Fourteenth Five Year Plan, unveiled in early 2021, which described tech development as a matter of national security and identifying semiconductors for the

first time as a priority area of investment. In 2020, it strengthened export controls on items deemed to be of national security importance, including extra-jurisdictional application mirroring similar US laws (Sutter, 2020). The US and China actions and counter-actions all appear likely therefore to reduce tech interdependence as transformational new technologies are deployed in the coming decade.

5.3 The Huawei paradox

Huawei Technologies Co. Ltd was established in Shenzhen in 1987 by an early-retired People's Liberation Army engineer, Ren Zhengfei, who set out to pursue business success in the early years of China's "reform and opening up" period. The company that he founded initially traded in telecommunications equipment and gradually grew as a manufacturer, with its business success over time based on a culture of customer service, which differentiated Huawei in an industry in which large, complacent telecommunications companies rarely focused on their customers. Unable initially to compete with major international firms in the major cities of China, Huawei focused on providing low-cost solutions to customers in unserved markets, from underdeveloped telecommunications markets in rural China to developing nation markets from Asia to Africa. The firm was unique in China (and unusual in the world) in its corporate structure, in which Ren himself retains a small 1.4 per cent stake and shares ownership with more than half of the company's global staff, with a rotating chair. This unusual structure has endured, even as the firm has risen to global scale, and may indeed contribute to the company's "wolf" culture of long hours and dedication to business success. Its representatives interviewed for this research also believed Huawei's unique structure allows the firm to continue to strategize for the long-term and to endure, despite the barrage of challenges it has faced in the international business environment, when a public company may have found its share value would have driven it out of business long ago. Despite relying upon IBM consultancy advice to modernise its systems as it grew into a global business, Huawei has retained a unique culture, "fighting" against a wide range of risks and doubling down on its long-term strategies to lead in new technologies. Huawei has invested over decades in a massive research and development effort to overcome its dependence on foreign intellectual property and to achieve its contemporary market-leading position in 5G telecommunications and a range of other products and services (Tian, De Cremer & Wu, 2017). In 2021 Boston Consulting Group ranked Huawei the eighth most innovative company in the world (BCG, 2021).

Like other globalized Chinese firms, Huawei is deeply embedded in international value chains, partnering with firms and governments around the world, developing communications network equipment and infrastructure, and consumer communications products and services. It provides equipment to many of its competitors in Europe and elsewhere and its fostering of research and development in China and in its international

operations has resulted in the firm holding the majority of patents and other intellectual property in relation to 5G tech. Like a growing number of private sector Chinese firms in the Xi era (He, 2021), it also has Communist Party cells, which is consistent with Chinese governance but causes alarm in liberal democracies. Its success has made Huawei a national champion within China and while it claims to have received no more subsidies or other government support than any other comparable firms, its status as a national champion has made it a target of US criticism. In a webinar on Huawei, Tom Lairson described how the firm pursued knowledge networks, through strategic alliances with other corporations and research institutes, leveraging China-specific advantages and capabilities from its deep interdependence with the global market and applying innovation to complex system integration to achieve global competitiveness, while receiving US\$600 million in concessional finance from China Exim Bank and \$10 million from the CDB that he argued was not available to Huawei's competitors (Center for China and Globalization, 2021).

Huawei was amongst the first and certainly the most prominent firm to be singled out as a cyber security risk in the US-China tech contest. The firm certainly challenges US aspirations to maintain technological dominance, although no US firm has become globally competitive in 5G and indeed many US firms had – until the bans on Huawei and other Chinese technologies - built supply chain integration with Huawei products and services. Huawei has long been considered a national security risk by the security establishment of the US and some of its allies because of its opaque private sector structure, the military background of its founder and other personnel links to state security services, as well as the capability of all telecommunications equipment and service providers to intercept traffic or be subject to interception by state espionage agencies (Balding, 2019). It has also been accused, like many Chinese firms, of stealing intellectual property, although the most high-profile legal action making such a claim, a suit launched by Cisco in 2003, was not successful (Tian, De Cremer & Wu, 2017). The more persistent claim relates to the risk of espionage. There is a widely held view that “telecommunications is 100 per cent geopolitical” as noted by one interviewee for this research. That same interviewee (a former Huawei employee) claimed that Huawei generates more complex user profiles than technically necessary and exports data to China for technical network and protocol support, rather than providing full services within country. Nevertheless, little evidence has been presented publicly of widely-

repeated claims that Huawei has facilitated espionage and Huawei has - in turn - consistently denied such claims.

Huawei was first banned from installing a 5G network on national security grounds in August 2018 by Australia, a staunch US ally. Australia's decision, closely coordinated with the US and the Five Eyes (Collinson & Curran, 2022; Kerbaj, 2022) and including both Huawei and ZTE, was reportedly based on intelligence assessments of potential cyber-risks to critical infrastructure, raising the alarm level of the narrative from traditional espionage to feared weaponization of new technologies. Not only might Chinese firms theoretically be required by the Chinese Government, it was feared, to compromise Australia's 5G network (*The Sydney Morning Herald*, 2018, September 24; 2019, June 12; 2020, January 31; Hartcher, 2021), but Australia was considered incapable of mitigating risks of implanted network coding or equipment backdoors that might be used to threaten operations of critical infrastructure (*Reuters*, 2019, May 22; *The Sydney Morning Herald*, 2020).

An anonymous interviewee posed the possibility that Huawei itself contributed to the scope of the Australian decision, arguing that the government had been debating taking a range of measures but that, after hearing a decision was being made to restrict Huawei involvement in Australia's 5G rollout, a rogue tweet was issued by a communications officer of Huawei Australia assuming a total ban had been decided. It is possible, the interviewee theorised, that the tweet may have upped the pressure on the government (which was in the middle of a domestic leadership battle of strength, and in which the leadership challenger to the prime minister was pushing for a complete ban on Huawei) to adopt a total ban the following day. The bold Australian decision and the publicity around it may in turn have upped the pressure on the US government to also take stronger measures than previously in relation to Huawei. While this is conjecture, it is an important reminder that these decisions were made in the context of domestic politics.

Following the Australian decision, the US administration stepped up its campaign against Huawei, seeking global reach and going well beyond domestic restrictions on the firm. In US domestic regulation, at the same time, a number of Chinese entities such as China Mobile, China Telecom and China Unicom were denied or had licences revoked to operate in the US by the Federal Communications Commission, on advice from the government on national security grounds (Bateman, 2022). In May 2019, the US

Commerce Department placed Huawei on a trade blacklist, including restricting access to US components, citing national security concerns (Lim & Ferguson, 2019). Export controls have traditionally been utilised on national security grounds to prevent important technologies or materials from being diverted into the hands of terrorists or states that may pose a threat to international peace and security. The US move and subsequent actions underlined American asymmetric market power based on its continued technological superiority in advanced semiconductors, on which firms such as Huawei depend (Fernandes, 2019). At the time, Trump described the action against Huawei (and ZTE) as providing leverage in his broader trade war with China (Bateman, 2022).

In a dramatic episode in December 2018, the US requested its ally Canada to arrest and detain Huawei's Chief Financial Officer, Meng Wanzhou, while she transited Vancouver airport. The US sought her extradition for fraud, charging that Meng covered up attempts by Huawei entities to evade US sanctions against Iran. The personalised action against Meng (who happened to be the daughter of Huawei's founder Ren) suggested an element of geopolitical theatre. Targeting a senior executive was a highly unusual action and, indeed, while numerous US and other international firms have been pursued for violating US sanctions against Iran, senior executives have not typically been arrested or taken into custody (Sachs, 2018). The drama continued with China detaining two Canadians, Michael Kovrig and Michael Spavor, on spying charges, in what appeared to be alarming tit-for-tat punishment of Canada (indeed both were freed following an agreement reached to return Meng to China in September 2021). Further, in 2019, the US government charged Huawei with stealing intellectual property (Department of Justice, 2019), a case that is ongoing.

In early 2020, the US government provided \$1 billion for telecommunications carriers to "rip and replace" Huawei and other Chinese-sourced equipment from US networks (Heater, 2020), although two years later little progress had been made across an array of small regional US telecommunications carriers (Hendel, 2022). In May 2020 the US Department of Commerce introduced new requirements for foreign chip makers that use US technology to apply for a licence to sell chips to Huawei, then a few months later closed that loophole altogether, in a further squeezing of Huawei's supplies of advanced semiconductors (Li, Cheng & Yu, 2020). The geopolitical drama was not consistently followed through in execution, for a time at least, as demonstrated by reports that US

companies continued to supply Huawei with semiconductors in apparent violation of the export controls and had no measures taken against them (Mulvenon, 2022).

In an escalation of the politicization of the tech contest, the Trump administration's economic coercion against Huawei and some other Chinese companies was matched with a new ideological "clean" versus "dirty" narrative that evoked Cold War imagery in a new techno-nationalist agenda. In August 2020, the US government unveiled a so-called "Clean Network", an alliance of "trusted" countries and firms committed to removing "authoritarian malign actors, such as the Chinese Communist Party" from their cyber supply chains (Department of State, 2020). It was accompanied by a range of new measures securitising tech supply chains, increased investment in strategic research and development to compete with China, a fund for re-shoring semiconductor manufacturing to the US and a \$60 billion International Development and Finance Corporation fund to encourage developing countries not to buy from Chinese suppliers (Capri, 2020). Underlying all of these actions, however, no coherent strategy has yet emerged that places limits on the new trend to decoupling, even though few believe complete tech decoupling is either desirable or possible. This tends to encourage hyperbolic threat narratives in the US and its closest allies, as well as reinforcing Chinese fears that the US is seeking to contain it and slow its economic rise, fuelling its own brand of techno-nationalism.

The US and eight EU member states entered into joint declarations on 5G security, including no suppliers subject to control by a foreign government without independent judicial review; transparent commercially based financing that follows standard best practices in procurement, investment and contracting; transparent ownership, partnerships and corporate governance structures; commitment to innovation and respect for intellectual property rights; a track record of respect for the rule of law, the security environment and vendor ethics; and compliance with secure standards and industry best practices to promote a vibrant and robust supply of products and services (US Embassy in Estonia, 2021). China was not invited to the Prague conference in 2019 to adopt the Prague Proposals on 5G security risk management.

In 2022, Canada banned Huawei from its 5G networks, citing concern that it (and ZTE, which was also banned) could be required to comply with extra-judicial directions from foreign governments, underlying how distrust of the Chinese government is at the heart of the Huawei dilemma (Government of Canada, 2022). This appears to represent a win

for geopolitics over interdependence, with Thomas Liu, Public Affairs, Huawei North America, claiming that Huawei's Canadian research and development office had been the birthplace of 5G technology, developed alongside a unique trilateral cybersecurity project with the Canadian government and academia and following the rollout of 5G coverage of Canada in only four years (Center for China and Globalization, 2021).

Despite the US campaign against Huawei, the firm nevertheless continues – at the time of writing - to be an attractive partner to a wide range of governments, firms and consumers across much of the world because of its technological leadership and cost competitiveness. Huawei has partnerships with more than fifty international carriers to provide 5G network equipment and services (*CNN Business*, 2019). Huawei itself claims to be serving 170 countries with its full range of products and services, or more than one third of the world's population.

In Europe, there is a highly competitive environment between, Huawei – on the one hand - recognised as the leader in 5G network technology as well as being the lowest cost supplier, and – on the other hand – Ericsson, considered by many in the industry to provide higher quality. While there have been attempts at the EU level to encourage a normative response to Huawei, the reality of diverse national perspectives and the competitive advantages of maintaining Huawei in the market have resulted in a pragmatic set of risk management guidelines, discussed further below. Huawei has won contracts to supply half of the 5G network in Germany and Spain, while Ericsson has won contracts in Norway and Hungary (Fletcher, 2019). Poland and Romania have gone further, banning Huawei outright, influenced by their defence dependence on the US in the face of Russian aggression in Ukraine and elsewhere (Hasmath & Bērzina-Čerenkova, 2022).

Greece has a long experience with Huawei, since 2005, with Huawei supplying about half of the country's Radio Access Network (RAN) with a mainly local workforce. During the 2008-9 economic crisis, Huawei allowed buyers to have equipment on credit and continued to invest in Greece. Greek decision makers maintain a balance between a security relationship with the US and a growing economic relationship with China. Claims of cybersecurity risks have had less salience in Greece than some other European countries, after Greece's experience of US espionage during the 2004 Olympics and in the Snowden revelations, including a mysterious death of a Vodafone employee in 2018 (Gkritsi, 2021). Cyprus telecommunications firms utilise Huawei equipment, including

commitments for Huawei involvement in 5G rollout, despite Cyprus signing up to the US “Clean Network” (Vou, 2021).

Both Germany and the United Kingdom (UK) planned to proceed with Huawei for non-core components of their 5G networks despite confidential US security briefings (Ikenson, 2019; *South China Morning Post*, 2019; *The Telegraph*, 2020), although after the US extended its sanctions on Huawei in May 2020, impairing its likely future capabilities, the UK announced it would phase out all Huawei equipment by 2027 (Dowden, 2020). UK intelligence agencies had for several years scrutinised Huawei, which allowed full examination of its hardware and software products by local security experts at a jointly-managed cybersecurity evaluation centre with an independent Oversight Board, the Huawei Cyber Security Evaluation Centre. While the centre had reported technical issues of concern in Huawei’s engineering processes, it did not find these were the result of Chinese state interference (*South China Morning Post*, 2020). The UK National Cyber Security Centre (NCSC) had recommended in early 2020 that limits should be placed on “high risk vendors” in telecommunications networks and that equipment from such vendors should only be used when a specific risk mitigation strategy is in place supervised by the NCSC. A risk management strategy had been in place between NCSC and Huawei since 2010. The Centre issued a report after the introduction of the May 2020 US sanctions in which it noted that its updated security advice on Huawei was driven by the US sanctions which caused increased risk to UK networks due to the uncertainty of future supply including supplies of equipment to the Huawei Cyber Security Evaluation Centre, an important component of the UK’s risk management regime (NCSC, 2020). The NCSC further noted that the immediate exclusion of Huawei would generate new resilience and security risks for the UK’s networks by reducing competition to two providers and therefore maintaining current Huawei equipment subject to risk mitigation measures was recommended in the transition period. Throughout the process, UK intelligence advice was that the concerns about Huawei were not technical in nature but political (Kerbaj, 2022). This attribution of increased risk due to the US sanctions – and not specific concerns about Huawei itself - had little impact on the popular discourse on Huawei. Indeed, Huawei has established similar “cyber security and transparency centres” in several countries including Belgium and Germany, although the European narrative surrounding Huawei remains centred on geopolitics rather than engineering.

Experts interviewed for this research noted that countries of Central and Eastern Europe, in particular, had the need for Chinese technology and investment (and finance) but had a lack of engagement and understanding of China, which tended to cloud views about firms such as Huawei with an emotive reaction. In other words, as more than one interviewee stated, China is perceived as a bad actor. It is often conflated with Russia, a trend accentuated since the Russian invasion of Ukraine. Even before the Ukraine invasion, Russian cyber-attacks created a receptive environment in the Baltic states to US demands to exclude Huawei (Bērzina-Čerenkova, 2021). Cooperation with China is commonly emotionally interpreted, an interviewee observed, as a “slap in the face” for European liberal democratic values, rather like the US interprets the world according to its own perceived (and often performative, rather than consistent) values. In an absence of trust, some countries have developed institutional capacities for risk management, such as Germany, and yet interviewees believed even Poland, with relatively strong institutional capacity, may not have enough regulatory capabilities to manage the new tech risks, let alone smaller states. The role of the EU at a regional level in Europe is therefore critical.

Huawei representatives themselves claim their firm makes a critical contribution to the emerging economies of Europe, noting for example its work to supplement 4G networks operating in Ukraine even during the Russian invasion of 2022, so that people could stay in communication with each other while sheltering in city metro networks and other challenging locations. One Huawei interviewee informally advised the firm had suspended all orders for equipment in Russia before that was later reported in the media (*South China Morning Post*, 2022, April 12). Despite the way the firm is depicted in English language media, as a security threat, thief of intellectual property and suspicious arm of the Chinese state, the (Chinese) Huawei public relations team in Europe confidently state that four out of five media stories in other European languages are positive, with the negative one in five representing those stories sourced from English language media. As elsewhere, Huawei has invested in sophisticated public relations efforts in Europe, including sponsorships of football clubs Paris-Saint Germain and Arsenal, but has not succeeded in making any major acquisitions, barred for example by the UK government on security grounds from purchasing telecommunications firm Marconi (Le Corre & Sepulchre, 2016).

In the developing world, no countries have been willing – so far - to give up the option of utilising Huawei, despite US pressure, with the exception of India and Vietnam, rivals of China, which have not announced public bans but have favoured other 5G suppliers. Huawei has been a longstanding provider of wireless networks (from 3G to 4G) and other services and products to countries from the Asia Pacific to Africa (Gu, 2019), competing on cost and with a focus on customer service that has won it long-term customers in developing countries seeking rapid growth in their telecommunications capabilities. Huawei has also become a key actor in China’s Digital Silk Road partnerships, in which Chinese banks provide a mix of concessional and commercial finance to support developing countries in building satellite, underwater and terrestrial communications networks and so-called “safe cities” and “smart ports”. Safe city systems utilise AI and surveillance technology for security services including facial and voice recognition, sentiment analysis and relationship mapping, all ostensibly aimed at improving public safety and crime detection. Across South East Asia in particular, where e-commerce and other digital economy innovation is growing, many cities are pursuing “smart city” programs including Huawei infrastructure, with such activity increasing during the Covid-19 pandemic even as other infrastructure projects slowed. Most of the customers for these Huawei services are governments or state-owned enterprises in developing countries (Hillman & McCalpin, 2021).

These “safe city” programs have been accused by US and other normatively allied observers of exporting the Chinese “surveillance state” model (Dirks & Cook, 2019; Hillman & McCalpin, 2019; Bartholomew, 2022). These critics claim China has a strategy to dominate the global digital economy, to shape its norms and to export tech authoritarianism to sympathetic regimes. They point to risks that Huawei and its Chinese partner firms are establishing infrastructure that could provide the Chinese government access to data from foreign countries, extending Chinese governance models and enabling authoritarian surveillance and social control (Polyakova, 2019; de La Bruyère, 2022). Huawei personnel have been accused of providing intercepted data to African governments to spy on, locate and silence political opponents (McMaster, 2020; Hillman & Sacks, 2021) and of building a “backdoor” in a Pakistan Safe City project to export sensitive data to China, as well as providing a surveillance system designed for police use and traffic control but which was subsequently utilised by Pakistani military and intelligence services (Erie & Streinz, 2022).

None of these cases, however, arose because of anything specific about Huawei equipment and any number of other similar cases could be produced which utilised equipment of other vendors. Nevertheless, in often highly normative literature, the pervasive role of Chinese firms in providing these new technologies and establishing interoperability, market dominance and industry rules and standards is represented as extending the influence of the Chinese state. While firms from other countries also export surveillance and other tech, those from authoritarian China are represented as embodying the unique risk that China will have the scale and capability to shape and control not only the domestic but also the international digital economy (Hoffman, 2021). With growing asymmetric structural power, it is feared China will have the capability to control and amplify information, tilt the business environment to favour its own firms and to undermine sovereign governments (de La Bruyère, 2022).

As well as smart port projects in the developing world, Huawei has also developed the technology for the first smart (fully digital) multi-modal rail hub in Europe, at Fényeslitke near Hungary's borders with Ukraine and Slovakia. The "East West Gate" features Europe's first private 5G network and remote technical equipment management such as intelligent crane operations and loading, in partnership with Vodafone Hungary. The terminal is net zero emissions, utilising an onsite solar park, lithium batteries and geothermal heat pumps, railway equipment is diesel-electric and all movement of people is by electric cars. The intermodal terminal is expected to support Ukrainian grain exports to Adriatic trade routes (*Global Times*, 2021, October 7; van Leijen, 2021; Huawei Innovation Day, Budapest, September 27, 2022).

Huawei has been prevented from building undersea cables in the South Pacific by Australia, but continues to lay cables in other important regions, including linking China to Europe and Africa, through its part-owned subsidiary Hengtong Optic Electric Co. Most undersea cables are owned and operated by US firms, but China is estimated to be the landing point, owner or supplier of around 20 per cent of the world's cables by 2030 (Haynes, 2022).

Huawei's mobile phone business was crippled by the US sanctions. After Google stopped supplying Huawei with its proprietary mobile phone software services in 2019 because of the US sanctions, Huawei introduced its own android operating system, HarmonyOS, but its international mobile phone business was meanwhile dramatically declining due to

the loss of access to advanced semiconductors. Across all of its operations, Huawei suffered a revenue reduction of 29 per cent in 2021, although profit increased due to one-off sales of business units. Huawei has been able to raise debt to support its diversification strategy despite US sanctions (*South China Morning Post*, 2022, April 13). Huawei has no capacity (or stated intention) to manufacture sophisticated semiconductors to replace those it can no longer access due to the US sanctions. It has no short-term solution. Nevertheless, it is devoting research and development to microchip design, to support the development of local capabilities by partner firms through its subsidiary HiSilicon, to address the problem in the medium term (*Nikkei Asia*, 2022, September 22). It continues to promote globally integrated value chains, including multiple partners from design to manufacturing and packaging, pressing its case against decoupling with a much-enhanced public relations drive in recent years, but still facing a much more powerful counter-narrative of distrust.

The firm is diversifying away from narrow reliance on manufacturing equipment, deepening and broadening its investment-intensive research and development efforts into new areas of Fourth Industrial Revolution business that do not require advanced semiconductors including cloud computing, assisting firms and cities to digitalize, improving efficiency of renewable energy systems and providing the digital capabilities for autonomous vehicles. It has begun developing applications for ride-sharing, a likely growing market in the autonomous vehicle era ahead (Shen, 2022, January 10). It has invested in a firm developing an alternative to lithium-ion batteries for electric vehicles (*Caixin*, 2022). Despite the hit to its bottom-line profit, Huawei increased research and development spending in 2021 to RMB142.7 billion.

Huawei's Rotating Chairman, Ken Hu, told Huawei's 2022 Global Analyst Summit that the firm remained the world's leading provider of connectivity, with over 20,000 global partners, 2.6 million developers working with its cloud ecosystem and 6,000 new applications already launched in the Huawei cloud marketplace. Huawei is making ambitious claims to be reducing carbon intensity each year. Hu pointed to Huawei's role in the world's largest renewable energy project at Qinghai, the world's largest green energy storage project in the Red Sea, reduction in energy use of its global data centres, a 30 percent increase in solar power share for its services in Poland and reduced energy usage by 30 per cent by its green wireless sites in Indonesia. Solar energy is now supplementing Huawei's manufacturing operations in Dongguan, with an aspiration to

move ultimately to fully clean energy (Huawei, 2022). Electricity use will grow exponentially with the rollout of digitalization and to meet its ambitious goals, Huawei will need that electricity to be renewable, with its spokespeople well aware that as a leading Fortune 500 company Huawei will be expected to lead the green transition. At a Darwin's Circle event in Vienna, Huawei Austria presented on a Tech for All biodiversity project in the Neusiedler See-Seewinkel, in which Huawei is using online and offline sensors to track amphibian and bird life and collecting huge data sets to monitor and protect endangered species. This is part of a series of similar projects, including salmon fertility in Norway and Poland's large national park on its border with Belarus, in which Huawei is seeking to demonstrate through community projects that its technology can be a force for good. The public relations campaign by Huawei was bolstered by receiving the GSMA GLOMO Award in 2021 for Outstanding Mobile Contribution to the United Nations Sustainable Development Goals.

Huawei's Wang Zhiqin told the 2022 Global Analyst Summit that China leads the world in 5G deployment at scale, with 1.4 million 5G base stations and another 600,000 to be built in 2022, more than half supplied by Huawei, serving 1 billion users. He noted that such scale will allow a green and intelligent network to roll out applications beyond mining, energy and ports and into every industry. Huawei's Gan Bin argued the 5G capabilities Huawei is providing will ensure telecommunications is no longer the bottleneck between the tech advances of big data, AI and the cloud merging, to massively improve efficiency and to reduce energy consumption across value chains. Huawei's Jimmy Gu said this Fourth Industrial Revolution empowered by 5G reliability, stability and capacity will mean more flexible manufacturing, more precise quality management and more targeted logistics.

In Huawei's Green Development 2030 Report (Huawei, 2022) the company outlines its vision for how digital connectivity can help industries (from agriculture to manufacturing and services) to reduce their environmental footprint and for the digital, "smart" transformation of businesses, cities, mobility and public services, empowering dramatically more efficient resource utilisation and better environmental protection. The report outlines how digitalisation will support smart renewable energy, zero emission mobility and net-zero carbon buildings. It forecasts transformation of manufacturing with digital, flexible and automated production utilising 5G, the Internet of Things, cloud computing, blockchain, data collection and monitoring, analytics, precise control and

management of material, energy and information to deliver more efficiently to the customer. Indeed, this new information-charged and low energy production will allow new, networked solutions that may replace old business models, potentially oriented towards the human and environmental needs rather than the needs of a single producer. Huawei is placing itself at the centre of this brave new world of green tech innovation, the promise of a better, greener world that will be attractive to many who are not influenced by the geopolitical debates.

In South East Asia Huawei has a \$100 million program over three years to build a regional start-up ecosystem that is anticipated to leverage 5G rollout and support research applications from digital transformation in healthcare, agriculture, education and security (Awwad, 2020). The Spark incubator and accelerator program will generate a new network of long-term customers (and suppliers) for Huawei Cloud and grateful local governments and business associations, in markets where little capacity previously existed to support research and development and talent development in high technology applications. A Huawei interviewee advised the start-up competition is one of the largest in Asia, with Thailand and Malaysia running local competitions as well as Huawei's global competition, and similar support programs are being extended to Latin America, the Middle East and Africa. Singapore is the first government to contribute funding for Huawei's local incubator project, \$0.5 million, according to a Huawei Cloud interviewee, but the program has built new kinds of government partnerships for Huawei in contributing to local digital economy capabilities. Amongst initiatives in Africa, Huawei is establishing a training centre designed to train thousands of civil servants and others including in digitizing public services and government cloud support (*Xinhua*, 2022)

Leaving aside Huawei's sophisticated attempt at public relations, it appears likely through its pursuit of innovation in products and services and its unique culture to be able to survive and adapt in a new, even more challenging geopolitical environment.

Huawei has thus become central to the debate, in particular in the US and its allies but also in an increasing number of countries that are interdependent with both the US and China, about cyber opportunities and risks.

5.4 The problem of assessing cyber-risks

Understanding risk in any approximately proportionate way is controversial. Humans do not have a good track record of predicting risks, in particular in relation to complex systems they do not understand. In relation to cyber-risks, trust is lacking that governments, technologists or others are able to provide all actors with one, universally applicable framework to understand risks. At a time of shifting world order, geopolitics has become the default framework for the cyber-risk discourse. Cyber-risk assessment is inherently subjective, based upon the norms and narratives that frame the worldview of the assessor (Creemers, 2022). To be sure, however, the deepening, broadening and transformation of the digital economy is objectively enlarging the risk environment, creating exponentially more points of potential risk, and we might reasonably expect that state actors are actively exploring these vulnerabilities to leverage political (or geopolitical) advantage, just as will other actors such as criminal organisations and other kinds of hackers.

Each actor will make a different assessment of the risks of doing business with Huawei. State actors whose national security is integrated with the US may certainly assess that Huawei represents more risks than benefits. Australia judged it was incapable of risk mitigation; the UK believed its risk mitigation was weakened by US sanctions and is therefore moving to phase Huawei out of its 5G networks. Hungary, at the other end of the scale, also a US ally through its membership of NATO, has indicated it will welcome Huawei involvement in its 5G rollout (*Reuters*, 2019), prioritising the economic benefits from attracting and retaining Huawei as not only a provider of equipment and services, but also for its potential to further invest in making Hungary a logistics hub for related technologies, and therefore dismisses the cyber security concerns as geopolitical rhetoric. In between Australia at one end of the spectrum and Hungary on the other is a broad range of other national perspectives amongst US allies.

In geopolitical risk discourse, as discussed above, risks are understood as describing the effects of major power competition, usually represented as in positivist, zero-sum surveys of “objective” factors such as competition for resources, ports and industrial regions (Sykulis, 2014), which is extended in more recent literature to describe a new geopolitical battle for supremacy in technology. Whether the US campaign against Huawei can be reduced to a zero-sum attempt to squeeze out a geopolitical rival, or whether it raises more complex questions including technological security in a future interconnected world, remains an unanswered question in the literature, and was explored

in the stakeholder and expert interviews. The claimed risks certainly arise because of the geopolitical contest between the US and China, and therefore can be understood as geopolitical risks. They also arise in a complex set of political risks including declining trust in governance and in technology firms. A number of panellists at a Digital Trust event attended as part of this research noted that risk events have affected many companies as well as governments and individuals and that a trust crisis has developed amongst consumers, with inadequate frameworks to govern privacy or other ethical questions about rapidly evolving and alarmingly concentrated new technologies (Drucker Forum, 2021).

5.5 Identifying Huawei risks

5.5.1 Security risks/threats

The claims on the public record that Huawei could be a vector for, firstly, cyber-attacks such as sabotage of critical infrastructure, are very serious claims indeed. The claims – still widely circulating in Australian, US and other media - assert that, even if likely in only “worst-case” scenarios of major power confrontation or conflict, a perceived cyber-attack risk exists, which could indeed constitute a security threat if actualised against strategic infrastructure or systems.

Secondly, the espionage claims represent qualitatively different, although also serious, security questions. Even in “normal” conditions of geopolitical competition, without escalation to confrontation or conflict, states can be expected to engage in espionage, including cyber-espionage. Given the well-established evidence of electronic espionage by the US and its Five Eyes partners, including utilising technology in China and working with and without the knowledge and cooperation of telecommunications firms, it is highly likely that China also utilises all available means to conduct espionage in foreign jurisdictions. Because of China’s less transparent political and legal system, we may never see evidence of such, unless it can be produced by China’s strategic rivals. Huawei’s widespread presence in international telecommunications networks therefore could be considered to generate a reasonably-founded espionage risk although no publicly-available evidence of such exists and the firm denies it would agree to government demands for spying.

Thirdly, Huawei's involvement in Digital Silk Road partnerships between China and a wide range of developing country partners is claimed to generate a security risk that China will export its "surveillance state" model. Overall, the Huawei paradox raises considerable security risks in the literature.

Interviewees confirmed (or denied) the following as the relevant risks, with each further discussed below:

- Cyber-attack on critical infrastructure
- Espionage
- Surveillance state

5.5.2 Interdependence risks

The nature of the campaign against Huawei (on the basis that it is a Chinese, albeit private sector, firm) in itself might also be considered to undermine international cooperation and complex interdependence. While a precautionary risk avoidance strategy could have been adopted by the US and its close allies, removing Huawei from critical infrastructure in a low- key way, just as other security risks are routinely avoided without media announcement, instead a highly politicised geopolitical campaign has been led against the firm. This has had the effect of undermining the norms and rules-based approach that had been the basis of international commerce in the globalization era. In a heightened and politicised state of geopolitical contest that seeks to prevent Huawei's (and other Chinese firms') continued integration into global value chains, it becomes less likely the international community will be able to develop functioning global rules, norms and standards for the digital economy. The US-led "Clean Network", for example, by encouraging its allies to decouple from Chinese supply chains, potentially divides the digital economy into at least two spheres of rules, norms and standards, just as China's "Great Firewall" had already driven a wedge in the global internet. Weakened international cooperation will in turn undermine global governance institutions which might otherwise build and sustain rules, norms and standards to reduce risks. Further, the potential demarcation of the digital economy into US-led and China-led spheres risks would tend to strengthen the foreign influence of these major powers over other states within their spheres, including not only favouring firms originating in each major power but increasing the likelihood states may be influenced to support their major power

partner on other matters from international rule-making to targeting firms (or even individuals representing firms) with sanctions.

Further, Huawei presents a stark example of the risk of economic coercion by a major power, with the US targeting a private sector firm and wielding a range of state measures to constrain the firm in international markets. In the absence of evidence on the public record of any wrongdoing (although, to be sure, potential risks), the action sets an alarming precedent for how economic coercion may be deployed by major powers against other international firms as the geopolitical climate continues to deteriorate. It increases the likelihood of counter-measures and therefore generates risks for a wide range of other international firms. The implications of the actions against Huawei transmit throughout global supply chains, with all international firms that supply Huawei impacted by US executive and legislative restrictions and liable to sanction for not conforming. While firms affected rarely raise their voices in the public discourse, the semiconductor sanctions appear to have generated significant concern across the global industry, which remains deeply interdependent with China as a major supplier and market in global tech value chains (*Nikkei Asia*, 2022, July 21). There was a rare victory for a Chinese tech firm in 2021 when Xiaomi, a manufacturer of smartphones, robot vacuums, electric bikes and wearable devices, won a legal battle to have a Trump administration investment blacklisting lifted (*Bloomberg*, 2021, May 12). Nevertheless, the result of the ongoing geopolitical drive to reduce tech interdependence may ultimately be decoupled supply chains, which would generate significant adjustment costs as well as long-term costs of duplicating and in some cases sourcing from higher cost suppliers. Firms on both sides will lose access to valuable markets. The Huawei dilemma as discussed in the literature raises serious questions about future international economic cooperation and may pose, as a consequence, a risk to the entire globalization process in new tech.

Interviewees identified the following risks, to be further discussed below:

- Rules/norms/standards
- Foreign influence
- Economic coercion
- Disrupted supply chains
- Fractured globalization

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Security risks/threats	Interdependence risks
Cyber-attack	Rules/norms/standards
Espionage	Foreign influence
Surveillance state	Economic coercion
	Disrupted supply chains
	Fractured globalization

5.5.1 Table 5: Huawei risks

5.6 Analysing Huawei risks

5.6.1 Security risks/threats

The central security concern rests upon a theoretical proposition that Chinese-sourced technology underpinning international communications systems could be weaponized by the Chinese state against critical infrastructure of an adversary. The US and its allies, amongst others, distrust the authoritarian Chinese party state and fear its growing technological and military capabilities. Despite being a private firm, it is feared Huawei could be co-opted to serve the offshore national security objectives of the Chinese government and forced to facilitate international espionage or cyber-attacks (Gilding, 2020). Article 7 of China’s National Intelligence Law of 2017, which is often cited in the literature, requires that Chinese firms and their employees cooperate with national intelligence agencies lawfully carrying out their work (Girard, 2019). Indeed, any major power might be expected to utilise communications and other networks for intelligence.

The US government has equivalent powers to those it fears China wielding and has prevailed over global tech firms even in the face of their resistance (*Guardian*, 2014).

The risk of espionage in relation to any telecommunication infrastructure would appear on the face of it to be realistic. After all, it is well documented, including in the Snowden and WikiLeaks revelations, that the US and its Five Eyes partners (Australia, Canada, United Kingdom and New Zealand) similarly engage in espionage (Snowden, 2019), including co-opting Apple, Facebook, Google and other firms to collect data (Biddle, 2020). There is no reason to believe China is not doing the same, regardless of the geopolitical climate and regardless of standard government denials. The perennial risks of espionage raise highly technical questions about capabilities of detection and protection. Indeed, most unauthorised or malicious, so-called “bad actors” in 4G networks have been found to be authenticated users rather than rogue outside actors (McDaid, 2020). These are relevant questions not only in relation to Huawei, but for all telecommunications systems and the complex global supply chains for equipment and software. Nevertheless, as most communications are expected to be end-to-end encrypted by the time 5G networks are fully implemented, it is unclear how even an implanted “back door” would allow an equipment supplier to access such data without the relevant encryption keys.

The risk of cyber-sabotage is much more dependent on the state of the geopolitical climate. In a state of contest, confrontation and potential conflict, there is considered to be a risk that technically undetectable malicious code or “kill switches” are implanted into 5G networks, which could be used for cyber-attacks on critical infrastructure. Such aggressive actions might have been less likely during previous years when the US and China and other countries were cooperatively engaged in building interdependent economies. Indeed, Huawei has been intent on building its international reputation as a trusted provider of state-of-the-art technology and it would appear to be self-defeating to allow itself to be used as a platform for hostility against its customers. In the new era of geopolitical competition however, featuring new flashpoints of confrontation, economic decoupling and more aggressive positioning by both the US and China, the risks become more likely that firms such as Huawei (or indeed firms on the US side) might be co-opted or, perhaps more likely compromised without their knowledge, for aggressive security operations. This is not a risk specific to the firm, but a risk of hostile state action. It is also a risk that emerges because many states have allowed critical infrastructure to rely upon

publicly available telecommunications networks rather than investing in secure, standalone networks.

Russia has demonstrably used cyber-attacks as a matter of policy, in peacetime such as its well-documented undermining of the 2016 US presidential election, in wartime such as its attacks on Ukraine infrastructure and against other targets as punishments or threats (Orenstein, 2022). Russia has no equivalent of Huawei, which underlines the supplier-blind nature of cyber-risks, but also illustrates the risks of how major powers can act. Nevertheless, in most parts of the world non-state actors remain the major cyber threats to critical infrastructure. Illegal data harvesting, malware and ransomware threats against hospitals and other infrastructure all grew during the Covid-19 pandemic (according to Craig Jones, Cybercrime Director, Interpol, at the UN IGF, 2021).

One expert interviewed for this research noted that the perception of geopolitical risk is leveraged in the discourse very effectively in the West, while China is poor at communicating reassuring messages in return, tending to mirror the “preaching” that its leaders believe is the disposition of its rivals, even though China is more likeminded on practical questions of economic interdependence than is often understood. The capacity of the US to sustain its campaign against Huawei, even in the absence of evidence, is indeed extraordinary. Despite most of the public assuming Huawei had been banned from the US, for example, as discussed above Huawei equipment remains throughout US telecommunications networks and indeed the Biden Administration sustained the Trump narrative about Huawei risks even as it was criticised for moving slowly to actually remove Huawei equipment (*Reuters*, 2022, July 21).

Looking forward, the security of 5G and future generation networks will become even more important for the connected technologies of the future, with critical infrastructure connected to such networks, as well as products and services across global value chains. Indeed, risks will not only be generated by major power geopolitical contest, but governments and firms will also need to protect against cyber-attack from other states, criminal organisations and rogue individuals. Whether Huawei can be enlisted as a partner in protecting against such risks, or whether it is a vector of risk, will depend upon normative perspective.

Further, countries along the Digital Silk Road that are cooperating with Huawei to build “smart city” and “smart port” infrastructure may see more opportunities than risks, while some stakeholders from liberal democracies, such as privacy rights advocates, may be concerned about how such infrastructure might in turn be used for surveillance and social control. Geopolitical scholars in the US and its allies depict the Digital Silk Road infrastructure, surveillance and satellite navigation systems as schemes to gain strategic access to data, capture markets and influence, projecting Chinese norms and systems, including through training programs, and generating risks that China could in future use operational control of smart city or port data to create surgical cyber-attacks (Hemmings, 2020). Again, this represents more of a concern about state action, and a normative perspective that Chinese programs are illegitimate and intrinsically authoritarian, rather than exhibiting evidence of a danger posed specifically by Huawei itself. After all, US, European and Japanese firms also export facial recognition technology that could be used to target groups or individuals but are not accused of exporting authoritarianism, even when they export to well-known repressive regimes in the Middle East and elsewhere. Equally, Huawei and other Chinese technologies are utilised in liberal democracies investing in AI surveillance for crime reduction, border control and anti-terrorist surveillance. How safe city or other programs are deployed by host governments can be demonstrated to lie within the agency of domestic authorities, rather than influenced by China (Weiss, 2019). Ceci & Rubin found the US discourse about China exporting a “surveillance state” was exaggerated, after a broad survey of national case studies demonstrated Chinese suppliers were no more likely to negatively affect partner countries’ digital governance norms any more than non-US suppliers (Ceci & Rubin, 2022).

The nature of the Chinese state and its domestic deployment of technology is at the heart of the surveillance state narrative. A key element of China’s feared “surveillance state”, its much-discussed social credit system, remains more a work in progress – so far, at least – than the imagined all-seeing digital authoritarianism (Morris, 2020; Brussee, 2022). Nevertheless, China is building technological capabilities that will allow the state to centrally oversee the complexity of society in a way Leninist parties could not in the past (Gueorguiev, 2022). Further, Huawei’s provision of cloud infrastructure and e-government services means that large volumes of sensitive data are managed on citizens’ health, tax and other records, and this provides the potential for Chinese (or other) actors to gather intelligence and even apply coercive leverage (Hillman & McCalpin, 2021).

Huawei cloud and other services are utilised within China for projects that raise human rights concerns by external observers, such as a Henan public surveillance project that was reported to specifically target “concerned persons” such as journalists, foreign students and individuals by ethnicity (Healy & Maye, 2021, November 29). There therefore remain questions that deserve continued careful evidence-based research, in the context of the current trend towards widespread adoption of surveillance technologies in liberal democracies and non-democracies alike, and therefore how firms may get caught up in questionable activities by governments.

5.6.2 Interdependence risks: global governance

The Huawei case exposes a critical gap in global governance. Inadequate rules, norms, standards and institutions exist to manage risks of globally interconnected technology. In the absence of rules, norms, standards and institutional enforcement, technologies generating risks have developed ahead of technical capabilities to manage those risks. In relation to the most serious cyber-risks, some technical experts claim the complexity of telecommunications technology renders it impossible to guarantee against malicious code or backdoors in equipment (Lysne, 2018; Chang, 2020). Nevertheless, the risk of malicious action has not prevented the international community from developing – and largely abiding by – rules, norms, standards and institutions in numerous similarly complex areas of strategic importance, such as nuclear technology for peaceful use, food safety or aviation. The lack of discussion about governance options for emerging technologies is therefore remarkable.

One problem for developing global rules is that espionage has traditionally been considered permissible in international law, while another problem is that some states assert their sovereignty over not only infrastructure but data. Nevertheless, indiscriminate cyber-attacks not targeted to a specific state actor or individual cannot be justified on national security grounds and may therefore provide a basis for new international law in the area of cybersecurity (as noted by Talita de Souza Dias, Oxford Institute of Ethics, Law and Armed Conflict, at the UN IGF, 2021).

At the industry level of rule-making, standard setting is critical for interoperability of technologies. Indeed, as China has grown in importance as a major economy with a leading role across a number of industry sectors, it is to be expected that China will play an increasing role in international industry standard setting. As a world leader in high-

speed railway infrastructure, for example, China is beginning to see its standards adopted by the International Union of Railways (*China Daily*, 2022, July 19). China is also actively engaged in leading standard setting for autonomous vehicles, a process in which Huawei is a participant (Sheehan, 2021). China has not tended to insist on digital rules in trade agreements, unlike the US (which insists on free data flows and opposes data localisation). The BRI does not impose a data governance model. Nevertheless, the leading role of Chinese firms such as Huawei in the developing world is expected to exert over time a push-and-pull “Beijing effect” that is likely to see the Chinese government become a model for rules such as those on data sovereignty, in a similar way that the EU also has strong normative “Brussels effect” influence (Erie & Streinz, 2022).

Global governance of 5G telecommunications has however become embroiled in the US-China geopolitical contest, as has governance of the internet. Not only is the US resisting Chinese leadership in standard-setting, but the US has opposed any expansion of the mandate of the International Telecommunications Union (ITU) to govern digital communications. Meanwhile China, has developed a clear ambition to be a rule-setter and norm maker in internet governance and cyber sovereignty (Schia & Gjesvik, 2017, Wang, 2020), as well as in other transformational technologies such as blockchain and its applications in finance, manufacturing, transport, food safety and public security (Cai, 2019; Stockton, 2020). Across its Digital Silk Road partnerships with developing nations, China has promoted uniform ITU standards for 5G rollout, as well as for AI and satellite navigation systems (Chan, 2019). China will likely wield influence amongst its technological partners in the rules, norms and standards that will develop over time. China – together with firms such as Huawei - has been actively promoting its cyber governance model at World Internet Conferences it hosts in China annually, the ITU, the International Standardisation Organisation (ISO), the International Electrotechnical Commission (IEC) and the two UN working groups, the Group of Governmental Experts and the Open-Ended Working Group. In 2020, China proposed a Global Data Security Initiative, urging respect for sovereignty, jurisdiction and data management rights.

Increased activity by China and Chinese firms in governance forums for technology has alarmed the US, where it is feared China will shape tech standards to favour its own industry players and to export its norms. China is making a growing number of submissions to international technical standard-setting bodies such as the ITU, ISO and IEC. China has also been fielding an increasing number of leadership positions in

technical committees, where standards are drafted. On the Chinese side, the greater involvement in standard-setting is seen as a way to tilt the stand-setting process back towards an even playing field, after long-term domination by a few advanced economies (although to be sure this can manifest in Chinese discourse as muscular demands to become the leading global player, mirroring US normative language about its own global leadership). There is no evidence though that more leaders on committees, or more submissions, lead to agenda-setting power for China. Further a high proportion of Chinese submissions have been observed to be of low quality, the result of subsidy-driven behaviour to maximise quantity over quality (Ding, 2022).

The concerns about Chinese influence in tech standard-setting appear to be much more a feature of the geopolitical discourse than in the industry itself, although to be sure China is developing more market power and norm-setting influence. In response to a survey by the US National Institute of Standards and Technology, only a small minority of US firms expressed concern, and most did not agree with policymakers' claims that China was manipulating or breaking the rules of standard-setting bodies (Feldgoise & Sheehan, 2021). Nevertheless, the same survey found US firms believed the US was losing competitiveness. China would therefore appear to be providing a suitable rallying point around which to organise a more proactive US engagement in international standard-setting. US policy appears to have created some of the problems. US export controls on Huawei included a ban on sharing non-public information with Huawei, which resulted in US firms avoiding standard-setting meetings in which Huawei was present. The US Commerce Department has subsequently made provision for some acceptable information sharing (Federal Register, 2020), although it has not satisfied many industry participants.

Standard-setting bodies have traditionally had a disproportionately low participation from China and the growing (but still statistically under-represented) presence of Chinese firms, given their leadership in some fields such as 5G, has generated geopolitical concerns about substantive questions such as Chinese state influence in the development of facial recognition and other standards (Hoffman, 2019). Huawei is commonly demonised as acting for the Chinese state by such observers, yet the evidence appears to indicate that its representatives (like other private sector participants in standard-setting) are primarily technicians selected on the basis of their expertise, seeking engineering solutions to engineering problems, and indeed Huawei's representation in standard-

setting processes tends to be led by Western nationals (Baron & Kanevskaia Whitaker, 2021). Huawei also competes, to be sure, by recruiting experts identified from its participation in standard-setting bodies, just as it recruits aggressively in other specialist forums and across the industry.

While the US has begun to participate more actively in standard-setting forums in recent times, a fundamental clash of world views makes it unlikely consensus can be achieved. The Chinese government's aims in cyber governance are focused on the national political imperatives for maintenance of social stability and protection from foreign influence, as well as cybersecurity. China's approach to cyber governance is therefore focused on the state's ability to control content, which includes network security, while Western approaches have resisted a state-centric approach to rule-making. With an estimated 65 per cent of global GDP enabled by cross-border data flows (Zurich, 2022), which strengthen resilience in international supply chains, enabling real-time monitoring and traceability and reducing single points of failure, distrust between the US and China is preventing the establishment of coordinated data policies for future cross-border flows (Li, 2022). China proposes the development of global standards for data security, yet mandating domestic cloud services, while the US is moving to establish its so-called "Clean Network" to set standards amongst a set of "trusted" partners. Without agreement between the two major powers on norms, it is impossible to move forward on designing rules with consequences or new institutions to govern such rules.

A "China Strategy Group" (2020), comprising academics, policy-makers and tech experts, recommended to the incoming Biden Administration that a global body will be required for tech standard setting and recommended "multilateral trust zones" and other strategies such as technical requirements to manage risks in those areas in which cooperation will be of mutual interest. Whether the recommendations will be adopted is unclear at the time of writing. The World Economic Forum (2021) has also made a set of recommendations for global tech governance including key fields such as AI, blockchain, Internet of Things, mobility and drones, noting not only the challenge of cybersecurity but a lack of regulation of emerging tech in areas that risk privacy, liability and accountability, as well as misuse and the challenges of cross-border differences. New tech such as autonomous vehicles, for example, will require unrestricted flow of data, while still safeguarding user privacy and ensuring equivalent safety of operation across borders. The Chinese government's reported ban on Tesla cars from being anywhere near its

leadership group during their annual summer retreat to Beidaihe (*Reuters*, 2022, June 20) underlined how governments (on all sides) may distrust autonomous vehicles that in future will be connected to AI and constantly transmitting data. Controlling where data is sent and stored, as China currently attempts although with some exceptions such as agreed in the RCEP, will become more complicated with autonomous vehicles and the massive growth in data they will generate, just as with other applications across the Internet of Things.

Industry is likely to resist further regulation, and such resistance may be more effective in private sector-dominated states than party states. In China, there has been a series of measures to rein in the power of big tech platforms such as Tencent and ByteDance, including transparency about algorithms for manipulative marketing of users (*Bloomberg*, 2022, April 8). The first meaningful attempt to regulate the monopoly power of the US tech platforms, the American Innovation and Choice Online Act introduced in 2022, stimulated a major opposition campaign from industry evoking China, threatening that any greater competition requirements would weaken US competitiveness and provide opportunities to foreign competitors (Klyman, 2022). Any attempt to develop regulation appears to default to a binary geopolitical narrative, with the same problem noted to arise in the emerging field of AI (Bryson & Malikova, 2021).

The Huawei paradox, combined with the politics of fear and blame during the Covid-19 pandemic of 2020, has amplified the different approaches of the major powers to governance of the digital economy more generally, with the US believing in its normative leadership, free flows of data across US platforms but restricted Chinese firms, lack of a governance framework for data security and recent opposition to multilateral solutions, and China, with its own ambitious goals for industry leadership, its domestic Cyber Security Law and claimed simultaneous support for national digital sovereignty and global cyber governance. It appears for the foreseeable future the law of the cyber jungle and duelling geopolitical narratives will persist at the global level. Meanwhile, at a regional level in at least one part of the world, the EU, with its comprehensive Cybersecurity Act, General Data Protection Regulation (GDPR) and Directive on Security of Network and Information Systems (NIS), models the most advanced attempt at rules, norms and standards to guide cyber-risk management, to be discussed further below.

5.6.3 Interdependence risks: economic weaponization

The Huawei case has also become a prime exhibit of the weaponization of economic interdependence and its undermining. The denial of supply of advanced semiconductor chips to Huawei (and other Chinese firms) by the US appears likely to drive China to double down on its strategy for not only self-reliance and alternative sources of supply but indeed dominance in next generation technologies. The US is seeking to re-shore semiconductor manufacturing (White House, 2021), after years of participating in highly globalized value chains with many countries participating based on their competitive advantages. In August 2022 President Biden signed an executive order endorsing more than \$50 billion under the so-called CHIPS and Science Act in subsidies to boost domestic semiconductor production and research, while wielding subsidies to prevent advanced tech firms from investing in China for a decade (*BBC News*, 2022, September 7), then in October the US introduced stringent and wide-ranging new extraterritorial export controls on semiconductor chips for AI and supercomputing, restricting the sale of semiconductor manufacturing equipment to any Chinese company and prohibiting US citizens, permanent residents and companies from working in or providing support to Chinese advanced chip manufacturing (Department of Commerce, 2022) . This essentially extended the Trump-era controls on Huawei and ZTE to the entire Chinese tech sector, a securitization affecting a range of civilian applications and firms that appears out of all proportion to any national security concerns and entirely about economic warfare (Bateman, 2022a).

The earlier period of optimism about globalized value chains and confidence that risks could be managed appears to have been abandoned in both China and the US, with global value chains now perceived as risking unacceptable vulnerabilities to coercion by the other major power. The national self-sufficiency approach will likely increase costs, as well as stimulate further regionalization of supply chains. It may take some years, but China can be expected to develop a semiconductor industry to rival the currently US-controlled supply chains in time, although industry observers believe it will take about a decade for both China and the US to become self-reliant in semiconductor production (Boswall, 2021). While it is impossible to prove a counterfactual, Kennedy posits that a more “principled interdependence” between US and Chinese supply chains rather than decoupling might have sustained US semiconductor leadership, slowed China’s technological advance and offered opportunities for joint work on risk management

(Kennedy, 2020). Coercion has been chosen over cooperation in what may yet prove to be a turning point in the deteriorating geopolitical contest between the US and China, extending to impact more and more firms and industries at the time of writing.

If the US strategy was driven by an imperative to slow down a Chinese-dominated global rollout of 5G technology, it appears unlikely to succeed, except in those states that have followed the US lead. In those states, firms that were seeking to innovate by accessing the most advanced and lowest cost 5G equipment and services will pay a commercial price. Across most of the world, firms and governments will not be prepared to pay such a price. One interviewee claimed, for example, that even though India presents itself to the US as avoiding Huawei, around 90 per cent of Bharti Airtel equipment continues to be provided by Huawei.

The economic costs of excluding Huawei alone are considerable. A Huawei-commissioned Oxford Economics report predicted that restricting Huawei from competitive tenders will lead to increased 5G investment costs of between eight percent to 29 percent over a decade and would have a cost to GDP in 2035 from \$2.8 billion in Australia to \$21.9 billion in the US (Oxford Economics/Huawei, 2019). For US semiconductor firms, the export controls on sales to Chinese buyers constitute a major risk to their global business strategies. In a survey of exports in the first four months of 2018, Capri (2018) found Qualcomm relied on China for 60 percent of revenue, Micron over 50 percent and Broadcom about 45 percent. A Boston Consulting Group report forecast a full decoupling with China would reduce the US chip sector revenue by 37 percent and lower its market share to 30 percent, while China's market share would rise from three percent to 31 per cent (Varas & Varadarajan, 2020). Further, as the geopolitical climate worsens, there is a risk that China will retaliate against US or allied firms. Tit-for-tat economic coercion between China and the US will pose significant economic risks for third parties, with both states likely to deploy more expansive export controls, other sanctions and anti-sanctions, and restrictions on joint research and development (Thomas-Noone, 2020).

Farrell & Newman (2019) coined the phrase “weaponized interdependence” for this phenomenon of a state deploying economic coercion to leverage its asymmetrical power over a global network and “chokepoint effect” to deny network access to an adversary. Now that the US has set the precedent in its campaign against Huawei, how else the tactic

might be deployed is not yet clear, with fears in China, for example, that the US could target international payments through its Society for Worldwide Interbank Financial Telecommunications (SWIFT) system (Zhao, 2020). The inclusion of SWIFT in the comprehensive set of US-led sanctions against Russia following its invasion of Ukraine have underscored the Chinese fear that this measure could one day be turned against China itself, which was noted by a Chinese expert interviewee for this research and in a number of the business conferences attended.

To be sure, once a weaponization process is initiated against a firm or a sector, entire supply chains will be disrupted. The potential evolution of a new global economy that moves away from market-led globalization towards state-led spheres of geopolitical influence is uncertain at this point, but 2018-2022 may yet turn out to be a tipping point towards a much more geopolitically-infused international business environment. Geopolitical risk analysis is therefore likely to receive much more attention in international business literature.

5.7 Assessing Huawei risks

The assessment of security, international relations and economic cooperation risks for 5G networks must be made in the context of not only contemporary international relations but over the life of such networks. This means planning for scenarios, including worst-case scenarios. The theoretical capability for cyber-attack on critical infrastructure, for example, might not be as serious a risk in most contemporary scenarios for most actors as heightened geopolitical narratives may suggest, but such attacks might become a realistic threat in future worst-case scenarios in which the major powers are escalating confrontation or engaged in conflict. Nevertheless, as noted above, Russia provides a demonstrative example of a persistent cyberthreat.

Any qualitative assessment of risks must take into account two key concepts: likelihood and consequence. The type of political risk will depend on whether the factors generating the risk arise at the firm level, the country level or as a result of the geopolitical environment. Huawei as a firm has been claimed to pose security risks because of the nature of the Chinese party state. The risks are therefore China risks, or geopolitical risks, rather than specific to the firm itself. Equally, the interdependence risks that are generated by the case appear to be not simply because of Huawei itself but arise from the diverging

interests of the US and China, characterised in particular by the lack of global governance rules, norms, standards and institutions for new tech. Further, in relation to economic interdependence risks, Huawei again appears to be simply the trigger case for an emerging trend in the new geopolitical contest for the US and China to deploy economic coercion, to reconfigure supply chains and indeed to reshape globalization according to geopolitical agendas and, consequently, abandoning the neoliberal and internationalist market-led phase of globalization that characterised previous decades.

Accordingly, the Huawei case can be assessed as a prime example of geopolitical risk and can therefore only be understood in the context of the international relations, security and economic policies of the major powers. Suppliers and partners of Huawei and indeed any strategically important firms from China or the US must therefore plan to manage geopolitical risks in the current environment. There has traditionally been very little cross-fertilisation between business literature on political risk and international relations literature on interdependence (Fägersten, 2015), yet this discussion demonstrates that risks for governments, firms and other actors in the Huawei case are entirely bound up in questions of interdependence and will require new approaches to risk management.

Generalised cyber-risks (leaving aside the Huawei case) can be assessed as highly likely and potentially high consequence. There is therefore a critical need to build stronger cyber security defences, to mitigate against espionage (from whatever source) and to protect against weaponized cyber-attacks in future.

The Digital Silk Road might be assessed by decision makers in the developing world as bringing more opportunities than risks, while the US and allies are likely to perceive highly likely risks of increased Chinese state and economic influence. Risks will be assessed differently whether the assessor is a state in strategic competition with China or not. US and allied threat assessments that evoke the use of Chinese tech for deployment of state surveillance would appear, to be geopolitically inspired, given non-Chinese firms also export similar equipment.

The risks to complex economic interdependence are likewise normative. While the opportunities of globalization were generally regarded to bring economic benefits as well as benefits for international cooperation from integrated supply chains, a normatively positive attitude to dependency on Chinese tech has been difficult to find a voice in the

US and its allies in recent times, notwithstanding the theoretical opportunity to develop greater cooperation and indeed joint risk management. More likely is that the US and its allies will pursue at least limited decoupling, generating highly probable risks of undermining the globalization process and fracturing it into rival regions, with highly likely economic costs. Further, sustained US sanctions to undermine Chinese tech may indeed generate further confrontation and appear likely to encourage China to double down on its strategy for self-reliance and to seek global leadership in transformational new tech. There is ample evidence however, beyond the Huawei case, that deep and complex interdependence continues between even the US and China across many fields of tech, such as the example of Apple amongst many other US firms that continue to invest in China as both critical supplier and significant market (*Nikkei Asia*, 2021)

The risk assessment that is often overlooked is the question of global tech governance. As major economies begin the rollout of the new tech of the Fourth Industrial Revolution, there is a highly consequential opportunity to reduce and manage risks by building a globally agreed system of rules, norms and standards with compliance and enforcement mechanisms, that is supplier-blind and that strengthens cyber security all round. This appears at the time of writing to be highly unlikely. More likely is that across emerging and developing economies of Asia and other regions, Chinese rules, norms and standards will become dominant and that the US and allies will carve out a separate network of tech governance. The question that will require continuous assessment will be the extent to which balkanised tech governance will result in tech weaponization, confrontation and potential cyber conflict in future.

5.8 Managing cyber-risks

Tech experts interviewed for this research were mostly of the view that cyber-risk management should take a “zero-trust” approach that is blind to suppliers. Such cyber-risk management should apply layers of monitoring and testing for vulnerabilities, recognising that threats could actually come from anywhere – not just one particular geopolitical competitor – and that threats could come at any time. It was considered by industry insiders that risk management should be developed according to internationally agreed rules, norms and standards, as well as institutions for enforcement. This is widely considered common sense by industry experts but is lost in the geopolitical discourse. In the new technologies, by contrast, the US laissez-faire approach has dominated, although

as investigated further below the EU has introduced sophisticated regulations to protect against cyber-risks that may point to a way forward.

Nevertheless, the risk of a major power acting to weaponize interdependence has now been demonstrated by the US campaign against Huawei and it is equally conceivable that China, too, could weaponize interdependence in the new technologies in which it leads. Neither major power is solely at risk here and both have the capacity to generate risks, which could escalate into security threats. Other states will therefore make a proportionate risk assessment in relation to Huawei with an eye to the geopolitical environment, including in which context cyber and other risks are likely and in which context they would be of high consequence. Governments must also build their technical capabilities to monitor and mitigate identified cyber-risks.

The interplay between security and economic factors such as supply chains and trade and investment policies must also be weighed as part of any risk assessment and development of a risk management strategy. An EU coordinated risk assessment noted that the technological change represented by 5G will increase the overall attack surface for potential cyber threats, across networks and in software development and update processes, as well as in relation to reliance on network operators and their role in the supply chain (European Commission, 2020). Without naming Huawei, it drew particular attention to the importance of the individual risk profile of suppliers and the increased risk of dependency on a single supplier.

Each state will have sensitive assets and vulnerabilities and will need to ensure that it has regulatory, monitoring and technical capabilities to protect against risks to those sensitive assets and vulnerabilities. States need to develop and deploy extremely high system security strategies for cyber-risk assessment and mitigation in an increasingly complex environment of global supply chains, involving thousands of actors and sources of software code. Further, to protect citizens from the risks posed by both Chinese and US (and other) firms, states will need data protection capabilities, with regular audits of data collection processes by international firms, ideally overseen by independent regulators. States and firms may wish to develop security risk management strategies that prevent data flows to China or indeed any other power.

The EU has become a leader in grappling with the new cyber-risk management challenges, including its cyber security standards, and GDPR to safeguard data integrity. The EU toolbox of risk mitigating measures includes strengthened regulatory powers and technical improvements to improve security of 5G networks and equipment, including restricting “high-risk” suppliers (well understood in public discourse as suppliers originating from countries without democratic checks and balances) from providing core network assets and diversification of vendors to avoid dependency on one supplier. Further, it recommends strengthening local EU capacities to supply 5G and post-5G technologies. Cyber security risks are assessed first at the national government level and member states and Union institutions, agencies and other bodies are to develop jointly coordinated Union risk assessment that builds on these national risk assessments (European Commission, 2020). The provisions restricting core network services recognise that control of the core network is more valuable for espionage than non-core components, the latter only providing access in local areas (Taylor, 2020).

Industry experts interviewed warned that there is however a danger in Europe, unlike the US, that telecommunications providers have neglected their capabilities to manage their own networks, often outsourcing to equipment vendors, including Huawei. Relying on Huawei to monitor cyber-risks that some claim originate from or through Huawei would appear to be unwise. Governments taking a risk management approach need to require service providers to maintain full service technical expertise and comprehensive security capabilities, and to ensure they maintain reliable monitoring capabilities, or to develop automated solutions (Hubert, 2020).

Diversification of the supply chain offers an important risk mitigation measure. If at some time in the future, a particular supplier is identified as constituting a likely and consequential risk, it will be less costly to avoid risk if a diversity of suppliers is available and already present in the market. Nevertheless, as in most industry sectors, telecommunications supply chains are highly globalized and it is not only Chinese firms that source components from China, so it should be expected that governments will seek to diversify entire supply chains over time if they remain concerned about cyber-risks emanating from China in particular. Equally, economic coercion risks emanating from the US export controls on its advanced semiconductors will force countries and firms not part of the US-led “Clean Network” to source new suppliers and to develop new supply chains, as is already underway (Capri, 2020). Proposed Open Radio Access Networks (O-

RAN) may offer future opportunities to allow multiple vendors to operate 5G services interchangeably, without one firm providing all of the infrastructure or components. Chinese as well as US firms are participating in O-RAN development, but the model is as yet unproven (RWR Advisory Group, 2021). While some industry actors see O-RAN as an opportunity to prevent Chinese proprietary end-to-end service provision and to expose source components to greater security, it also provides the opportunity for Chinese firms including Huawei to build trust over time in a form of cyber governance, including industry standards, that remains open to Chinese firms to participate.

As noted above, new developments in encryption may be likely to mitigate risks of espionage. Quantum computing and blockchain appear likely to provide strong new capabilities for encryption. On the other hand, quantum computing may also generate new, rapid decryption capabilities as well, creating a race for these new technologies. Control over data integrity can also be strengthened (although not guaranteed) by requiring that data is stored within national borders rather than exported to other jurisdictions. China mitigates cyber-risks in this way, to the dismay of the US, by requiring that all data storage is held within China's national borders and is subject to its domestic cybersecurity legislation. This approach may however over time constrain Chinese participation in international public blockchains (von Carnap, 2021).

To mitigate against cyber-attacks, duplication of critical functionality is an option, although costly, to allow for an alternative network to replace a compromised network (Lysne, 2018). For those governments that can afford it, highly sensitive networks, such as emergency services and national security, can be maintained independently, although this also is an expensive option.

Finally, national governments have a widely-recognised discretion to regulate trade and investment on national security grounds and this provides potential, although unexplored, opportunities in this case. Instead of a ban, for example, a government could approve a foreign supplier but only on the condition that it forms a new, domestically-based joint venture with a domestic firm that has adequate monitoring capabilities to mitigate cyber-risks. Huawei has offered to license its technology to US firms (Friedman, 2019) and presumably could be required to do so by other jurisdictions, with national firms building and operating the network, with rewritten source codes, inspections of equipment and software and other processes to meet national security requirements. Huawei has already

moved to manufacture 5G network equipment in France for the European market and all of its chipset security is conducted in Finland (Huawei, 2020). Such risk management options would of course require political goodwill if they are to build trust, which appears unlikely in the current environment.

Decoupling	Balancing risks	Interdependence
Exclusion of all rival suppliers of products, augmented by robust national cyber security defences	Robust national cyber security defences with exclusion of rival suppliers in critical national security areas	Supplier-blind, robust national cyber security defences
Regional “trusted” groupings led respectively by major powers with normative rules, norms and standards and restricted multilateral cooperation, allowing major powers to broadly gather data and exert regional influence	Regional “trusted” groupings with best practice rules, norms and standards, aligned with multilateral cooperation, advocating for high privacy and other standards in the rollout of new tech	New and strengthened multilateral institutions to coordinate and enforce rules, norms and standards for the digital economy that protect national sovereignty
Two (or more) separate and self-reliant tech systems, with a wide range of restrictions on tech connectivity, strictly restricted research cooperation, weaponized	Exclusion of high-risk suppliers and select restrictions on research and other cooperation only in critical national security areas, while investing in global value chains and	Deepened and diversified global value chains, globalized research and development and interoperability, built upon trusted partnerships between states, firms and

interoperability and continued geopolitical contest including geopolitical narratives that cast the rival as a multidimensional threat	interoperability, with confidence-building measures to build trust, including factual information and digital economy education of consumers	institutions and factual information and digital economy education of consumers
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5.8.1 Table 6: Indicative cyber-risk management framework

5.9 Conclusion

The new technologies of the Fourth Industrial Revolution are generating a whole new set of geopolitical and interdependence risks and it may be too early to fully comprehend how states and firms will act. While Nye (2011) predicted cyber power would be more diffused than other forms of power, just as earlier observers expected of the information revolution, the shape of the world emerging in the 2020s remains the domain of the nation state, albeit with alarmingly large, in some cases monopolistic, tech firms. As the dominant power, the US is determined to maintain its position, including resisting global governance in cyber governance and by wielding the power of the state against the claimed risks of Huawei and other Chinese tech firms, while largely disregarding risks to others generated by its own tech monoliths. Tech firms that have prospered in the competitive arena of globalization will continue to seek expanding global markets, Huawei included, but it remains unclear whether the power of states will continue to wind back openness of markets to globalization as AI and big data are deployed to transform industries in the years ahead. Risks of tech interdependence and risks to the system of interdependence are now at play in a state of mutual tension.

Meanwhile, China is developing powerful cyber capabilities to match its growing economic power and is seeking to set the agenda in global governance, yet it is deeply distrusted amongst liberal democracies in particular. In a rapidly deteriorating climate of geopolitical contest, confrontation and even conflict are no longer out of the question. Risks of cyber-espionage and sabotage, as well as weaponization of information and AI, therefore become assessed by states as realistic security threats. No rules or institutions

exist to sanction rule-breaking or to rebuild confidence and trust. At the time of writing, it would appear the world is headed towards a spiral of decoupling strategically important supply chains and the construction of two rival systems, one led by the US and one by China, although Europe may yet point to a third way.

In any future scenario, security risks are likely to proliferate from new connected technologies, even if partial decoupling takes place in areas assessed as critical to national security. There is therefore an urgent need for more technical research on risk management capabilities. At the national level, precautionary measures and enhanced risk management strategies are essential, whether the trend to decoupling continues or not. Strengthened national capabilities will help if, at some time in the future, full decoupling indeed becomes necessary.

In the meantime, the digital economy has generated natural quasi-monopolies that control vast amounts of data, extract value and gather more and more power. These monopoly actors are now the largest firms in the world, and most originate from the US. The lack of governance of the digital economy raises a broader range of risks than China alone. Decision makers have failed to date to comprehensively grapple with the new rules that may be needed to reduce the risks of these natural monopolies seizing more power over governments, the economy and individuals. The zero-sum geopolitical battle over tech may even stifle innovation eroding the benefits of level playing field competition (Spence, 2022).

The examination of the Huawei case leads to the conclusion that it is not simply about the rise of one firm from China to threaten US supremacy or generating cyber-risks. Huawei is a proxy for fear of China itself, its likely future capabilities and possible intentions, with an underlying assumption that any Chinese actor poses a security threat because of tech connectivity. Whether China as a state or any Chinese actor will take actions that justify the worst-case threat scenarios is, of course, heavily contingent on the state of the international system and whether it descends into conflict or whether international cooperation can be maintained. That was not looking encouraging at the time of writing.

How the US acts in future also remains uncertain. In Trump's final days as president, he issued executive orders to ban a number of Chinese tech applications, including payment

platforms of Alipay and WeChat. While the incoming administration reversed the decisions, these bans could have not only disrupted financial transactions for ordinary citizens and impacted a wide range of (Chinese, US and international) firms in supply chains, but set a dangerous precedent for decisions without process that reach deep into the everyday digital economy in order to prosecute a geopolitical contest with China. Every software firm, every service provider, and not only equipment providers, will need to scan for such political risks in future.

The likelihood of multilateral confidence-building measures, rules and institutions appears distant at this point. The US and some of its allies appear to so deeply distrust China that they are unwilling to attempt to construct new international rules, norms, standards and institutions to govern a country-blind interdependent digital economy. We should be careful what we wish for. By branding China as an unacceptable risk and advocating decoupling from its world-leading firms, rather than developing risk management strategies and systems for complex interdependence, we may reinforce China's historical geopolitical fear of encirclement, and over time encourage its government and firms to behave in exactly the way we fear. Of course, if the worst-case scenario analysts are correct, we could be headed in that direction anyway.

The Huawei paradox is therefore more than simply a problem of international business but represents a crisis of interdependence in the international system, driven not only by collapsing trust in a supply chain, but the larger questions of whether it is possible in the 2020s to build processes of engagement, co-existence, norms, verification and enforcement to maintain international peace and security.

6. KYAUKPHYU, MYANMAR

This third case study represents many of the worst-case risks for actors in conditions of interdependence, including civil conflict, dysfunctional governance, likely corruption and more, yet business goes on for Chinese finance and investment in Myanmar. Further, Myanmar's poor track record of governance notwithstanding, this smaller neighbour has been able to demonstrate significant agency in negotiating major projects, such as the subject of this case, the Kyaukphyu port and Special Economic Zone. Given the twin crises of Covid-19 and the 2021 military coup, the interviews for this case were not as comprehensive as planned and the results of the case are therefore presented with that qualification.

6.1 Introduction

The relationship between China and its smaller and troubled BRI partner Myanmar can be expected to generate a wide range of political risks for stakeholders. If anywhere might be expected to demonstrate geopolitical risks of the BRI, including debt traps, asymmetric power of China and even potential militarization, Myanmar might be such a case. Myanmar itself also presents a “perfect storm” of domestic problems, with dysfunctional governance in crisis, civil conflict, economic under-development and growing economic dependence on China. For China itself, Myanmar has key strategic significance. The Kyaukphyu deep-water port project and associated Special Economic Zone (SEZ) located in Myanmar's troubled Rakhine state is therefore investigated as a likely “worst-case” study of risks on the Belt and Road.

Stakeholders in Myanmar are torn between both the geopolitical and interdependence narratives in relation to the BRI, seeking development but also wary of Chinese power. As a neighbour of China, the risks and opportunities generated for Myanmar represented by the BRI are of critical importance, just as Myanmar offers to China a key supply route in the future development of the BRI but also brings risks to Chinese actors. For international investors, Myanmar presents as a high-risk business environment in which to pursue major infrastructure connectivity projects. Indeed, the wide range of evident risks in Myanmar underline how the development process in some geographies is inherently conflict-prone and external actors may not only need to manage risks but may

inadvertently contribute to local problems (Hameiri, Jones & Zou, 2019). Yet the China Myanmar Economic Corridor, and its signature project, the Kyaukphyu deep-water port and SEZ, are an important component of the BRI, despite the contemporary political crisis in Myanmar, and Chinese actors might be expected to double down on their ambitious plans to integrate their neighbour into the BRI's envisaged web of logistical links across South East Asia.

This case's key contribution is to seek to understand contemporary stakeholder and expert views on a rapidly evolving set of issues in relation to a high-risk environment, China-Myanmar relations and the Kyaukphyu deep-water port and SEZ project in particular. To place the research in its broader context, the chapter begins with a literature survey of country risks in Myanmar, and then introduces the China Myanmar Economic Corridor and the case study of the Kyaukphyu project, drawing from a survey of contemporary media and expert commentary. From the program of interviews, the risk (and opportunity) factors raised by interviewees are identified. A political risk analysis is then conducted including inductive construction of an indicative risk management framework, based on perceptions and observations in the stakeholder and expert interviews.

The research was conducted in the face of serious constraints posed by the twin crises of the Covid-19 pandemic and the February 2021 military takeover, making the field interview process particularly problematical and incomplete. Nevertheless, after an initial field research visit prior to the twin crises, a number of online interviews were later possible. Given the constraints on fieldwork, however, conclusions of the research are necessarily tentative and warrant continued review. Further, because of the security risks to individuals, interviewees within Myanmar are anonymised.

6.2 Myanmar's state of risks

Since independence in 1948, Myanmar has suffered civil conflicts, with enduring ethnic-based struggles for greater autonomy along its periphery, including in earlier times Chinese-backed communist insurgencies. The military (known as the Tatmadaw) has traditionally been the only institution through which national power has been effectively exercised, presiding for most of Myanmar's modern history over a long-term isolationist, authoritarian and corrupt regime that failed to develop the economy or stabilise the conflicts in its border regions. The Tatmadaw saw its role as unifying the nation by any

means, including brutally suppressing the popular movement for democracy (Paskal, 2002, Popham, 2016, Thant, 2011). In a state of national security anxiety, with not only constant civil conflict but also fear of invasion and foreign interference, historically from China but also from other powers including the West, Myanmar has built a disproportionately large military establishment, intertwined with business interests (Selth, 2020). The 2021 overthrow by the Tatmadaw of the popularly re-elected government led by Aung San Suu Kyi's National League for Democracy (NLD) appears to have put an end to a short-lived reform period and returned Myanmar to its characteristic state of crisis.

Risks abound for a diversity of actors, the military leadership presiding over weak government institutions and having no fear of consequences from extreme actions including the use of force against its own people. Indeed, even during the so-called reform period the Tatmadaw had stared down wide international condemnation and sanctions for pogroms against Muslim Rohingya communities in Rakhine State, which forced almost one million refugees to flee to Bangladesh, actions that enjoyed wide populist domestic support. Now, since the military takeover of February 2021, Myanmar risks have escalated further, with bitter and re-shaped civil conflicts, new international sanctions and subsequently heightened risk aversion by many foreign investors.

The Chinese government and many Chinese businesses, nonetheless, have a long-term stake in a stable and developing Myanmar on China's South West border, as an investment destination, trading partner and providing critical geo-economic (and possibly geo-strategic) access to the Indian Ocean. The strategically important Bay of Bengal is the largest bay in the world, at 2.6 million square kilometres. Once a key node of the ancient "Silk Road" between China and India, and later critical to the interests of the British Empire, Myanmar's location offers significant potential for transport, trade and energy connectivity, linking both landlocked regions of China and India to the sea and potentially to each other as well as to Malaysia and Indonesia, which could unlock significant opportunities for regional economic transformation, particularly if China-India relations were to stabilise in future (Thant, 2011).

Since independence Myanmar has pursued a non-aligned, independent foreign policy and has sought, where possible, to deploy a balancing strategy between major powers. The previous NLD-led government re-committed to Myanmar's traditional "Pauk Phaw"

fraternal relationship with China while also positioned within the Association of South East Asian Nations (ASEAN) and simultaneously seeking closer relationships with other regional powers including India and Japan (Myo, 2020). Myanmar has in recent years sought diversified investment to overcome its historical development failures and to emulate the more successful investment and export-led development models of some of its neighbours, while nevertheless also sharing features of other neighbours with military dominance and corrupt, crony capitalism (Carroll, Hameiri & Jones, 2020). China is Myanmar's second largest source of foreign direct investment, after Singapore, and China accounts for more than one third of Myanmar's trade (Ministry of Commerce, 2022). Myanmar's rich resources and location make it of particular importance to the giant Chinese economy, including as a significant supplier of oil and gas, electricity, forestry products and mining commodities including rare earths for China's technology production chains (Kawase, 2021). Scores of Chinese businesses are active in the construction sector across Myanmar. Chinese actors demonstrate a different approach to risk than Western actors, with deep interdependence amongst state-owned and private business actors in both formal and informal sectors and even conflict-prone regions, including investing heavily in personal relationships with leaders, which is both a risk management strategy but also a heightened risk in Myanmar's personalised politics when leaders change (Selth, 2021).

Even before the 2021 military takeover, political risks of doing business in Myanmar were identified in the international investment literature as including banking system risks, an inconsistent policy environment and in particular the nation's persistent domestic, ethno-nationalist conflicts (Deloitte/Shanghai Municipal Commission of Commerce, 2019). Nevertheless, SEZs were beginning to be established in a number of locations with a range of international partners, with support services and facilities to encourage foreign investment. Before the coup, multilateral and other international organisations were working with Myanmar to build its capabilities for institutional reform, capacity building and resource planning and development. Myanmar adopted a Sustainable Development Plan against which to assess projects and in 2019 the Myanmar Government established a "Project Bank" to streamline evaluation and approval of large infrastructure projects (UOB, 2020). Myanmar's external debt was estimated at 38.1 per cent in 2019, with – at that time – upside opportunities from anticipated economic development projects. Myanmar's major bilateral creditors were China and Japan, with the International Development Association (IDA) and the ADB the largest multilateral

creditors (IMF, 2020). While most Western investors have remained averse to Myanmar's high-risk business environment, Chinese actors (as well as investors from Japan, Singapore and other regional economies) had demonstrated a willingness to pursue a wide range of projects.

China is singled out in the literature as generating particular risks in Myanmar, including because of its perceived asymmetric power, but also because of a profusion of local investments in border regions (often beyond any regulatory control by the Chinese or Myanmar governments) that bolster local elites and armed groups and have fuelled organised crime, environmental degradation, forced removal of local residents and other social problems (Hameiri, Jones & Zou, 2019). Generalising claims about all Chinese projects tend to obscure the actual diversity of projects. For example, the willingness of the China-led AIIB to support an energy project in Myanmar was cited in the literature as generating risk of Chinese political influence when that institution was in its establishment phase and being actively resisted by the US, yet such fears proved exaggerated in subsequent years, as the bank has pursued no further projects in Myanmar; and indeed the cited energy project was co-funded with the ADB and World Bank (Power, 2016). Nevertheless, the track record of many investment projects in Myanmar has been troubled.

Security risks abound, including for Chinese as well as Myanmar actors, from the conflicts in Myanmar's border regions, where many state and privately funded Chinese projects are located. These risks are bound up with China's long history of providing military aid and exerting influence in such conflict areas, as well as criminal and corrupt practices spilling across porous borders with other countries in the region (Thant, 2011; Brenner & Schulman, 2019; Thant, 2020). India suspects that China supports rebel leaders from its own troubled border regions in North East India, who operate across the Myanmar border (Purohit, 2022). For its part, in apparent attempts to address such risks, China has begun reinforcing border walls with Myanmar (Zhao, 2021) and demanding Myanmar authorities provide strengthened security and intelligence on armed insurgent groups in relation to key projects (Corporate Responsibility Center, 2021). This may contribute to civil society anger with China, as will the military regime's placement of landmines to protect gas pipelines (*South China Morning Post*, 2022, January 29). Despite civil conflict and the Covid-19 pandemic, Chinese investments and businesses continued following the 2021 coup, including new road and rail projects in the corridor

from Lincang in Yunnan to Myanmar's Kokang Special Autonomous Zone (Tower, 2021) and, in Myanmar's troubled western region, the opening in April 2021 of the Kanyin Chaung economic zone on the Rakhine border with Bangladesh (Development Media Group, 2021).

Popular sentiment is a signature risk to Chinese investments and projects perceived as socially and environmentally destructive. The construction of the oil and gas pipelines that are now part of the China Myanmar Economic Corridor, discussed below, are believed to have featured land seizures and widespread environmental damage (Yu, P., 2021). Chinese firms rely on local partners, often with ties to the military or to militias in conflict zones, who act without regard to landowner rights and take advantage of inadequate land ownership regulation and widespread corruption. The most famous case of public opposition to a Chinese project was the proposed Myitsone Dam, which would have displaced Kachin villagers for a massive power project to supply electricity primarily to China. The project was initially approved by the Myanmar government, but later suspended, in an attempt to demonstrate responsiveness of the military leadership to community anger in the early stage of the previous reform process (Arduino & Gong, 2018). In popular imagination, the project remains emblematic for Myanmar of the risks of engagement with China for large infrastructure projects, which are considered to serve Chinese interests more than Myanmar's and to be part of a bigger geopolitical game. Yet the case also demonstrates the inadequacy of literature that positions smaller states as passive and subject to major power "influence" in the face of asymmetric power. The Myitsone decision epitomises how successive Myanmar regimes have practiced "equal-distance diplomacy", sometimes displeasing China while seeking multiple partners (Eszterhai & Thida, 2021). Former political prisoner Khin Zaw Win, observes that the BRI emerges in a complex environment of multiple state and business actors and motivations, including on one hand China's geopolitical imperative to avoid US-led containment as well on the other hand the heady mix of racial and ethno-nationalisms of the region, noting Myanmar elites see China as a means to further their personal and institutional ambitions, while civil society sees its role as monitoring and resisting Chinese influence (Khin, 2020).

6.3 China-Myanmar Economic Corridor

The China-Myanmar Economic Corridor has, since 2017, been incorporated as a key component of the BRI. Some of the economic corridor projects pre-date the BRI itself, involving pipelines, railways, roads, energy and other infrastructure to connect Yunnan Province in South West China to Myanmar, and beyond to the Indian Ocean. Within China, the previously under-developed South Western regions have been linked to China's high-speed rail network, including a recent extension to the Myanmar border (Stranglo, 2021) and intermodal rail/road links between China and Laos and Thailand, also connecting to Myanmar and providing new freight routes to the Indian Ocean (*Xinhua*, 2022, April 2). The BRI is envisaged to link high-speed rail and highways and other connectivity infrastructure throughout South East Asia to more closely integrate the economies of the region, including a high-speed rail link all the way south to Singapore, high-speed rail links in Indonesia and Malaysia, as well as expressways, ports and airports in all countries of the region. These BRI projects, including those in Myanmar, are aligned with the overall vision for regional connectivity in the Master Plan for ASEAN Connectivity 2025 (ASEAN, 2016).

Road and rail infrastructure in Myanmar is currently under-developed to optimise economic connectivity, featuring missing links and rail gauge changes (ESCAP, 2021). When fully operational, the China-Myanmar Economic Corridor is expected to save around three weeks for movement of goods from South West China to the Indian Ocean, compared with the traditional sea route, as well as to stimulate Myanmar economic development through integration into regional and global value chains for manufacturing and services, if Myanmar is able to implement strategies to take advantage from the increased connectivity. Major BRI port projects are also underway in Myanmar's neighbouring countries including at Chittagong, Matarbari, Sihanoukville, Tanjung Priok, Gwadar and Hai Phong (ESCAP, 2021).

Along with a number of other regional leaders, Aung San Suu Kyi attended both Belt and Road Forums in Beijing, in 2017 and 2019, indicating support for BRI partnerships to drive Myanmar's economic development. The Chinese government has nevertheless regularly urged faster implementation of Myanmar's BRI projects (Myers, 2020). During the 2020 visit to Myanmar by Chinese leader Xi Jinping, 33 agreements were signed for projects under the umbrella of the China-Myanmar Economic Corridor, but most are yet to proceed. Aung San Suu Kyi had personally chaired the Steering Committee for the implementation of BRI projects in Myanmar, before her government was overthrown.

Working groups formed to progress implementation across thematic areas such as development planning, energy, borderland economic cooperation and tourism were disrupted by the military coup, with new officials appointed, although indications are that the projects are proceeding.

The Kyaukphyu deep water port and SEZ, discussed below, is one of the signature projects, backed by successive Myanmar governments. It has progressed slowly. Indeed, many of the BRI projects in Myanmar were proceeding slowly even before the twin crises since 2020. One reason for delay appears to be that successive Myanmar governments have taken steps to protect – or at least appear to protect – national interests in relation to major Chinese projects. There is a well-established literature on Myanmar's agency, not only as discussed above by suspending the Myitsone Dam project in the face of social and environmental risks, but also in its attempts to manage other risks, such as seeking diverse funding from international financial institutions, conducting international tenders, and proactively laying down conditions for signing BRI agreements (Sheng, 2018; Lo, 2019; *The Irrawaddy*, 2019, May 31).

The debate about whether China enjoys asymmetric influence, or whether it is frustrated by Myanmar's assertiveness is difficult to assess in practice because of the opaque nature of governance in both countries. There have been regular exhortations from China to speed up work on the BRI projects. China's Foreign Minister, Wang Yi, was the first international visitor to Myanmar following the NLD's landslide win at the November 2020 election, pledging support for the new government, for Myanmar's faltering peace process and urging progress on Myanmar's BRI projects, including reaching agreement on a feasibility study for a 650-kilometre rail link between Kyaukphyu and Mandalay (*South China Morning Post*, 2021, January 12). However only weeks later, on February 1, 2021, the Tatmadaw seized power, pushing Myanmar into crisis. The brutal and ongoing coup has featured detention of Myanmar's elected government leaders, deployment of surveillance technologies imported from multiple countries (Ortega, 2021) and a campaign of deadly attacks on civilians, still taking place at the time of writing. The crisis has raised even further the risks faced by international actors, in particular those from China that are economically intertwined with partners in Myanmar.

While the coup would appear to demonstrate China exerts little influence over the Tatmadaw, the crisis nevertheless inflamed widespread anti-Chinese sentiment, with

widely circulating (but unsubstantiated) rumours in the months immediately following the coup of Chinese support for the military stimulating arson attacks causing major damage at scores of Chinese factories (Bloomberg & Reuters, 2021). At a Chinese-owned copper mine at Kyisintaung in Sagaing region, 2,000 miners brought production to a standstill when they joined the civil resistance to the military (Choudhury, 2022), and later electricity pylons supplying a Chinese-financed nickel processing plant, Tagaung Taung, also in Sagaing region, were blown up by resistance forces (*The Irrawaddy*, 2022, January 18). Civil society organisations were critical of Chinese state-owned enterprises for continuing to provide important revenue streams to the Tatmadaw and few benefits to local communities, such as from Myanmar's three largest mines (*South China Morning Post*, 2022, January 16). Exports of critical supplies to China of rare earths, copper and tin were disrupted in the early months of the crisis (*Global Times*, 2021; *Reuters*, 2021, March 20). In May 2021, three regime troops guarding the pipelines in Sintgaing township in Mandalay Region were killed, stimulating representations from the Chinese government to both the military and the parallel National Unity Government to protect Chinese investments (*The Irrawaddy*, 2022, January 24).

Foreign investors from other countries began withdrawing from Myanmar after the 2021 coup, at an estimated value of US\$6 billion in the first three months of the crisis (Linn, 2022). After a year of risk assessment, giant oil and gas firms which generate over \$1 billion in revenue for the regime and other major investors withdrew from Myanmar, including Chevron, EDF, Mitsubishi, Petronas, Total Energies and Woodside Petroleum (*AP News*, 2022, January 21; *The Guardian*, 2022, January 27). A number of states strengthened sanctions but, as in the past, sanctions by advanced economies appear unlikely to influence events, other than to enhance the attractiveness of China as one of the remaining economic partners for Myanmar (Selth, 2020). China itself has consistently opposed sanctions including in UN Security Council discussions, urging instead a favourable external environment as more likely to encourage domestic political reconciliation (*South China Morning Post*, 2021, April 5), publicly continuing to support a political settlement to resume the democratic transformation process, pursuing engagement with both the military and representatives of the elected, but overthrown, government (MFA, 2021; *Reuters*, 2021). Meanwhile, it is positioned to benefit from exclusion of competitors. During the crisis, for example, the military regime authorised use of Chinese renminbi (RMB) as an official settlement currency for border trade (*Reuters*, 2021, December 22) and stepped up other economic cooperation, while also

benefiting from manufacturing Chinese vaccines against Covid-19. However, while prior to the coup Chinese developers had won tenders to build 28 or 29 planned solar power plants, none have proceeded at the time of writing, with Chinese investors concerned about security risks (*Frontier*, 2022, April 20).

China has traditionally been the leading arms supplier to Myanmar (followed by Russia) and even during the crisis, Myanmar became the first South East Asian nation to take delivery of a Chinese submarine, with opaque financing arrangements. Myanmar's previous submarine, an ageing Russian model, had been provided, together with finance, by India (Storey, 2022).

Myanmar's position in ASEAN has become problematical, with ASEAN failing to make progress with its consensus-based approach to resolving the crisis but its resistance to recognising the Tatmadaw as the legitimate government has also undermined the regime. ASEAN should therefore not be underestimated in the long term as a balancing factor, particularly if Indonesia – often touted as a model for integrating a strong military in a democratisation process – plays a role in any eventual settlement in Myanmar. No progress was apparent at the time of writing.

Overall, it is evident China would prefer a stable and united Myanmar, something the Tatmadaw has now demonstrated it is incapable of maintaining. The Chinese government has maintained support for resuming the democratic transition and for a peaceful settlement, including working at the UN to prevent recognition of the Tatmadaw regime's representative and maintaining relations with the NLD. On the Chinese foreign minister's first visit since the coup, to attend the 2022 regional Lancang – Mekong Cooperation meeting, Wang outlined three expectations for settlement of the Myanmar "issue", political reconciliation, a restarted democratic process and upholding the ASEAN way of non-interference and consensus (MFA, 2022). There is some conjecture that China may be encouraging regionalization of the China-Myanmar Economic Corridor projects, inviting participants in the Lancang Mekong Cooperation group, Thailand, Vietnam, Cambodia and Laos, to participate in projects (Vaghji, 2022). Whether this is likely to succeed is unclear.

In the meantime, the Tatmadaw now needs the BRI more than ever to support any semblance of economic development just as China certainly needs its BRI projects in

Myanmar, and at the time of writing it appeared that projects were proceeding, compared with the slower processes that had been frustrating China prior to the coup.

6.4 Kyaukphyu port and Special Economic Zone

In 2015 a consortium of six companies led by China's giant state-owned enterprise CITIC Group (formerly the China International Trust Investment Corporation) won an international tender to build and operate the Kyaukphyu project, including a deep-water port and adjacent industrial park. The term of CITIC's role in leading the project is 50 years, with a potential extension of an additional 25 years. While some in Myanmar were disappointed US, EU or other firms did not tender for the project (*The Irrawaddy*, 2018), it was overwhelmingly approved by a parliamentary vote in 2025 because of support from the NLD.

The project is anticipated by its proponents to host the development of industries such as oil refining, garment manufacturing and food processing, providing opportunities for economic stabilisation and growth as well as facilitating trade between Yunnan and international markets. CITIC optimistically forecast creation of more than 100,000 local jobs each year and tax revenues of \$15 billion over its 50-year franchise period (*Xinhua*, 2020). While progress on the project has been slow, a milestone was reached even at the height of the domestic crisis, with a tender process conducted with the support of Canadian engineering consultancy HATCH, awarding work to a consortium of CITIC Construction and CCCC Fourth Aviation Research Institute to begin the site survey, a key step before beginning the construction phase (CITIC Myanmar, 2021). Hong Kong-based VPower was proceeding to develop a 135MW gas-fired power station, under an MOU with CITIC, although its other projects in Myanmar were either suspended or adversely affected by the crisis-induced foreign exchange problems, oil and gas price fluctuations and Covid-19 (*Frontier*, 2022).

Problematically, the project is located in the conflict-plagued Rakhine State. The project has generated fears amongst local Myanmar stakeholders, and it is widely discussed in the literature as featuring opaque decision making, unsustainable debt, community dislocation and threatened militarization. Security risks are ever present. Not only is Rakhine State the site of the Tatmadaw's brutal campaign against the Rohingya population, but the oil and gas pipeline, completed in 2014, and the planned railway

linking Kyaukphyu port to Yunnan Province pass through conflict-plagued areas of Northern Shan State as well.

The site is adjacent to the oil and gas pipelines that since 2013 have provided 160 million barrels of oil and 12 billion cubic metres of gas to China's Yunnan Province, which, despite their limited capacity, are considered by China as a valuable contingency in case the vulnerable Malacca Strait is ever threatened (Yu, 2021). Once rail and road connections are completed, the new deep-water port will provide an alternative route for trade from South West China, avoiding the current dependence on the Strait of Malacca.

In 2018, the Myanmar government insisted the Kyaukphyu project be scaled back from an unsustainable \$7.3 billion total cost to \$1.3 billion, in the first phase, to reduce the risk of its debt to China's EXIM Bank, as well as renegotiating the share of the project controlled by CITIC from 85% to 70% and with 30% divided between the Myanmar government and a consortium of local firms (Kliman, et al, 2019). The Management Committee of the project, comprising all partners, agreed a framework agreement to implement international standards for environmental, social and financial sustainability.

Risks to Myanmar of the Kyaukphyu project are identified in the literature as including eroding sovereignty and strengthening Chinese influence, non-transparency in how the agreements and community relocations have been managed, financial unsustainability, doubtful community benefits, environmental unsustainability, possible corruption and the geopolitical imperative for China to secure access to the Bay of Bengal and Indian Ocean for future potential militarization (Kliman, et al., 2019). China meanwhile pleads that it is benevolently seeking mutually beneficial relations with Myanmar in a "Sino-Myanmar Community of Common Destiny", based on an optimistic vision that the BRI projects will help stabilise and provide development for Myanmar (Jagan, 2020).

While many of the risks of the Kyaukphyu project arise from local conditions, the project's significance in the international relations literature rests on the geopolitical scenario of growing Chinese influence and feared future militarization of Kyaukphyu. This is consistent with long-running (and debunked) claims over many years that China was establishing military bases in Myanmar (Selth, 2007). There have also been claims China maintains an intelligence station on a Myanmar-controlled island in the Bay of Bengal (Selth, 2008). Questions about China's future security interests in the region align

with both the new geopolitical narrative about the BRI and also the Chinese recognition that it has constrained power in the maritime zone of the Indo-Pacific, in relation to its rival, the US, which retains the capacity to sever China's strategic maritime trading routes such as the Malacca Strait (Ghiassy, et al, 2018). Access to ports is understood in conventional security planning as essential for the projection of maritime force. Unlike the US, China does not have a global network of military bases from which to supply its military, with the exception of a solitary base in Djibouti, close to Chinese anti-piracy, peacekeeping and other activities. China therefore relies upon commercial access points to supply its People's Liberation Army Navy (PLAN) beyond what China describes as the "first island chain". Indeed, by 2020 Chinese firms operated and, in some cases, owned 94 commercial ports around the world providing such services to the PLAN, leading to their description by both Chinese and US security observers as "dual use" and "strategic strongpoints", anticipated to have potential for future hard power projection as well as softer intelligence and communications uses (Kardon, 2020).

Nevertheless, as China does not maintain a system of alliances or a network of global military bases, like the US, it appears unlikely to be in a position in the foreseeable future to militarize these port operations without generating major geopolitical confrontation and potential conflict. In most locations, therefore, it is difficult to envisage China seizing control of ports to convert them to military bases, as previous rising powers did in earlier centuries. The problem for Myanmar is conjecture that it could be one of a handful of exceptions. Would Myanmar be in a position to resist if the PLAN militarized Kyaukphyu port in a period of confrontation and crisis in the Indo-Pacific? Gwadar may be another exception, where Pakistan might be expected to cooperate with PLAN militarization of the port. Cambodia may be third exception. Indeed, it is widely believed that Chinese security planners are seeking a strategic strongpoint in Myanmar, on the Bay of Bengal (Kardon, 2020). Just as Hambantota in Sri Lanka has taken hold in the literature as emblematic of the "debt trap" discourse notwithstanding the insubstantial evidence for the claim, Kyauphyu appears to have the potential to become a prime exhibit of "militarization" risk.

6.5 The interview program

The first round of interviews with actors and experts was conducted in Yangon in late 2019, including a key stakeholder and lead actor in Myanmar's negotiations in relation to

Kyaukphyu port and SEZ, with whom the researcher was able to spend more than one day, featuring a site visit to another, operating SEZ. Unfortunately, events prevented any further field visits. When the Covid-19 pandemic interrupted plans for an extended field visit in 2020, a round of online interviews was conducted during the pandemic restrictions, although a number of abrupt interview cancellations followed due to the political crisis. A third set of interviews was later held online, after the military takeover in February 2021 made it certain that another field visit would be impossible. By this time access to internal interviewees had also become highly problematical and most business interviewees declined requests. One planned interviewee was imprisoned. Nevertheless, a former contractor from the Kyaukphyu project agreed to be interviewed. The representativeness of the sample achieved has therefore not matched earlier, pre-crisis, expectations.

6.6 Identifying Kyaukphyu risks

Interviewees expressed a range of differently weighted perspectives on the issues impacting on the Kyaukphyu project and its stakeholders but identified a broadly consistent set of risks, opportunities and threats. The commonly raised risk (and opportunity) factors are identified below:

Economic	Political
<ul style="list-style-type: none"> - Myanmar suffers from a development gap and so economic development is a priority, but economic projects may fail to comprehensively deliver economic, social or environmental outcomes for most stakeholders - It seeks to pragmatically benefit from Chinese investment - It lacks diversified economic links and investment, creating potential dependence on China - Economic opportunities include infrastructure for trade connectivity, revenue from logistics, new industry development, technology transfer 	<ul style="list-style-type: none"> - Dysfunctional, unstable political system constantly at threat from the Tatmadaw - Poor governance in Myanmar has been reinforced by Chinese support - Decision makers have learned negotiation lessons from the Thilawa SEZ, renegotiation of the Kyaukphyu project and other projects - Well implemented projects, if aligned with Myanmar's Sustainable Development Plan, offer opportunities, but there is little confidence projects will be

<p>and skills upgrading</p> <ul style="list-style-type: none"> - Debt repayment is challenging and makes comprehensive planning essential to ensure broad economic returns from infrastructure investment, and the absence of such planning also exposes risks to creditors - Projects are further delayed by the political crisis and the Covid-19 pandemic 	<p>well implemented</p> <ul style="list-style-type: none"> - Foreign advisers tend to recommend imported Western models, while elites consider BRI offers an adapted set of lessons from the developing world as part of a comprehensive development model - Myanmar Government capacity constraints are a major limiting factor, with no capabilities for master planning or standard setting - Lack of transparency and stakeholder consultation for major projects - Tatmadaw focused only on rent extraction, rather than positive sum outcomes, from foreign investment projects
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Social & environmental	Geopolitical
<ul style="list-style-type: none"> - Conflict, civil instability and ethno-nationalist cleavages fuelled by Tatmadaw - Social and environmental costs of poorly implemented projects - Loss of property rights of traditional residents from land seizures, forced relocations and loss of farming and fishing livelihoods - Expectations of civil society are unmet - Chinese investment projects may become associated with the wedge between the Tatmadaw and the community - Widespread (but not universal) anti-Chinese sentiment, fuelled by social media, generating security threats and opposition to Chinese investment projects - Concerns about Chinese corporate behaviour and limited benefits for local communities if investors are not required to partner with local firms for industry development - Trust in government is absent, so elite interaction with China fails to win community support - Environmental costs of other Chinese projects include illegal resource exploitation, poor waste management and failure to adhere to environmental standards - Chinese projects employ mainly Chinese labour - Rakhine State is particularly poor and wracked by conflict, so a poorly implemented project could 	<ul style="list-style-type: none"> - Myanmar's challenge to live with China as its giant neighbour without submitting to control - China's "possessive" approach, as a stable and powerful actor in relation to an unstable and less powerful neighbour - Tatmadaw's (and the former democratic government's) strong ties with Chinese actors - Kyaukphyu port offers strategic economic and potentially security access for China to the Indian Ocean, contributing to a shifting of the strategic balance - Possible Chinese domination of projects, in conditions of local governance failure - Imperative to maintain national unity strengthens the hand of the Tatmadaw - China has backed insurgents and Chinese actors have fostered corruption in border areas, while China also has good relations with the military and with the democratically elected government - Myanmar has depended on China for support in multilateral organisations - China's uncertain role peace building: stabilising or destabilising? - Strategic opportunity to gain weight from Myanmar's location and to balance between China and India

<p>worsen social and environmental outcomes, while a well implemented project could provide much-needed development</p> <ul style="list-style-type: none"> - Armed resistance groups in Rakhine State appear to support Chinese development projects - The situation in Rakhine State is opaque because of restricted media and a social media blackout 	
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6.6.1 Table 7: Kyaukphyu risks

In the interview process, despite a remarkable consensus on the key risk (and opportunity) factors, academics focused more on the geopolitical factors than other interviewees, while business respondents focused more on economic opportunities, although the small sample does not allow for any definitive distinction to be drawn between the responses. The risk and opportunity factors are grouped in the table above as economic, political, social and environmental and geopolitical, but many were expressed interdependently and should therefore be understood as mutually constitutive. Some interviewees feared the economic corridor and assets could in future be securitised by China in a worst-case scenario of regional conflict, while others doubted the Tatmadaw or future Myanmar governments would concede control to China in most other scenarios short of the worst-case of regional conflict. Some noted people feel China is already in control of new projects, with (Myanmar-staffed) security checkpoints and migration of Chinese people to manage projects. The stark geopolitics was described by one business interviewee as “plain as the nose on your face” and that the corporate world was getting closer to having to make a choice about whether it would stand against China, as it was being urged to do (in his case, he claimed the British Ambassador in Myanmar had called in all British companies and asked them to make such a choice). Yet the same business leader said this great game had no impact on business decisions day by day and could not be allowed to influence businesses that are in the region for the long term.

In economic terms, it was broadly noted that Myanmar itself faces significant development challenges and elites are expected to continue seeking opportunities from greater integration with Chinese actors and the Chinese economy, while seeking to

manage the risk of dependence on China by diversifying economic linkages to other regional and global partners. The latter being extremely difficult in the face of current constraints. There were doubts voiced by some that stakeholders other than elites would reap benefits from investment projects and fears that debt would not be managed sustainably. The twin political and public health crises were expected to slow implementation of investment projects and further hinder economic development.

With Myanmar's political system in crisis, most interviewees in the later stages of the interview schedule expressed pessimism about the potential for the Tatmadaw to repair its relationship with the society and expected dysfunctional governance to extend to poor governance of major projects, with the Tatmadaw focused on rent extraction rather than distribution of benefits from economic development projects. While Myanmar government agency was noted in its track record of renegotiating Chinese-funded projects, and potential for broader economic and social benefits could be envisaged by some observers from improved transport connectivity and SEZs, project implementation was not expected to be well-governed, making it more likely that outcomes would not benefit most stakeholders. A lack of trust in elite behaviour, a lack of transparency and apparent Chinese-Tatmadaw cooperation was expected to further feed community suspicion and opposition to economic development projects.

Indeed, social and environmental outcomes were expected to be poor, in the context of civil instability and conflict in particular in Rakhine State, with experience to date of forced land seizures, poor environmental standards and lack of community consultation. Further, Chinese projects appear likely to continue to be targeted by ethno-nationalist, anti-Chinese sentiments in sections of the community. The Chinese government has been putting pressure on its companies participating in BRI projects in Myanmar to observe local laws and maintain a social license by implementing corporate social responsibility programs (Xue, 2022), but it is difficult to assess to what extent this has happened on the ground in Kyaukphyu. Popular opposition to China has increased because of China's determination to maintain relations with whoever rules Myanmar. An anonymous Myanmar activist interviewed noted that only restoration of democracy will provide the conditions for a future Myanmar government to balance relations with China, India and others, as the current Western sanctions have driven the Tatmadaw to reliance on China.

All of these factors influence the salience of this case to international relations, positioning the Kyaukphyu project as controversial, likely to be poorly governed, while of economic and political importance to both the (provisional) Myanmar and Chinese governments. Its particular significance however rests in its strategic location and likely importance to China's grand plan for how the BRI may reshape geo-economic power, economic integration and feared long-term militarization of the port. It remained unclear to interviewees whether, in future, dysfunctional Myanmar governance and growing Chinese power may result in Chinese geopolitical control of the Kyaukphyu port and economic corridor. China was expected to play a key role in either building or undermining peace in the troubled border regions. For Myanmar, the strategic challenge was identified as how to "gain weight" from its location to hedge and balance between its great power neighbours.

Myanmar is not alone in facing the challenges of a disproportionately large, and growing, China in its region, or in needing to strategize to benefit from the Belt and Road and associated Chinese internationalisation projects. A number of other interviewees in other South East Asian locations had interesting and relevant insights. Kiatchi Sophasienphong, a former official of the World Bank and ADB, noted Asia had little choice but to make the most of interdependence with China, although he was concerned actors would need to partner in influencing China towards transparency, abiding by trade rules and fair competition. Bert Hofman, also formerly of the World Bank, noted Singapore was well positioned to manage risks, with its highly developed capabilities to maintain its position as a logistics and finance hub for the region. Opposition parliamentarian in Malaysia, Chua Tian, said that in Malaysia there is an understanding that China is not an expansionist power, but rather there is interest in learning and adapting the Chinese model of infrastructure-led development to benefit Malaysia. Indeed, at the 2022 Kingsley Strategic Institute Asia Economic and Entrepreneurship Summit in Kuala Lumpur, in which the author participated as a panellist, Asian political and business leaders alike resisted the Western geopolitical framing of the rise of China and a strong theme running through the discussion was seizing benefits from interdependence in the evolving Asian and global value chains for transformative new technologies. In April 2022, in demonstration of the transformation underway, the first freight train travelled on a new 1,000 km BRI rail link from Dunhuang, Gansu Province, to Bangkok, Thailand, via Laos in twelve days, compared with the 40-day shipping route (*Xinhua*, 2022, April 22).

6.7 Analysing, assessing and managing Kyaukphyu risks

In the indicative risk management framework below, the three columns represent three broad scenarios in which the risks raised by interviewees are represented. In the first, “best-case scenario”, risks are successfully managed and mitigated, and opportunities for stakeholders realised as a result of good governance and successful economic development, social, environmental and geopolitical outcomes. No matter how unrealistic it may be to expect a nation gripped by multiple crises to be able to achieve a best-case scenario overall, the column is included to reflect interviewee observations of potential opportunities, should future conditions allow. The second column reflects the broad spectrum of risk management challenges in between best and worst-case scenarios, which may manifest subject to the conditions and economic, governance, social, environmental and geopolitical challenges likely to arise when Myanmar recovers from the current crises. In the third, “worst-case scenario”, which may manifest if Myanmar continues to suffer from rolling crises, risk management is considered to have failed and risks in this scenario become threats to actors and to the broader Myanmar community including economic failure, dysfunctional governance, degraded social and environmental outcomes and conflict and/or geopolitical control by an outside power.

Threats	Balancing risks	Opportunities
<p>Economic failure:</p> <ul style="list-style-type: none"> - Integration into Chinese dominated value chains subjects Myanmar to Chinese economic power - Zero-sum benefits from the project only for Chinese actors - Debt trap - Dependence on China 	<p>Economic challenges:</p> <ul style="list-style-type: none"> - Seek positive sum benefits from integration into regional and global value chains - Seek distribution of benefits beyond elites to include key stakeholders and to address community concerns - Ensure financial sustainability including debt 	<p>Economic development scenario:</p> <ul style="list-style-type: none"> - Infrastructure and connectivity supports integration into regional and global value chains - Broad distribution of benefits to Myanmar stakeholders - Return on investment to Myanmar government and

	<p>management</p> <ul style="list-style-type: none"> - Pursue diversified international projects 	<p>businesses</p> <ul style="list-style-type: none"> - Balanced by diversification of Myanmar's international economic integration
<p>Dysfunctional governance:</p> <ul style="list-style-type: none"> - Continued failure of democratic reform process - Project implemented (or perceived?) aligned only with Chinese state and actor interests, failing to support Myanmar industry development, deliver local revenues or technology transfer - Reduced capabilities or interest in negotiation or setting conditions - Corruption and lack of transparency alienates Myanmar stakeholders 	<p>Governance reform challenges:</p> <ul style="list-style-type: none"> - Resumption of democratic reform process - Refocus from elite rent extraction to project implementation in pursuit of national development goals, supporting industry development, ensuring revenues, technology transfer - Address capacity constraints to improve capabilities for negotiation, setting conditions - Improve transparency and inclusion to reduce corruption and address stakeholder suspicion 	<p>Good governance:</p> <ul style="list-style-type: none"> - Robustly implemented democratic reform process - Project implementation aligned with national development goals, supporting industry development, revenues, technology transfer - Government capability to renegotiate terms and set conditions - Transparency and inclusion to pursue all stakeholder needs
<p>Social and environmental failure:</p> <ul style="list-style-type: none"> - Only Chinese labour utilised, and local communities alienated 	<p>Social and environmental challenges:</p> <ul style="list-style-type: none"> - Ensure local labour is trained and utilised as well as Chinese workers 	<p>Social and environmental leadership:</p> <ul style="list-style-type: none"> - Employment and upgraded skills in local labour force

<ul style="list-style-type: none"> - Poor environmental practices further drive local alienation 	<ul style="list-style-type: none"> - Ensure minimum sustainable environmental practices 	<ul style="list-style-type: none"> - Sustainable environmental practices integrated into all operations and new industry development, leapfrogging poor practices in competing South East Asian markets
<p>Geopolitical control and domestic conflict:</p> <ul style="list-style-type: none"> - Chinese militarization of the project - Chinese strategic power exerted over Myanmar - Worsened domestic conflict, inflamed ethno-nationalist tensions and further undermined by Chinese backing for insurgent activities in border regions 	<p>Geopolitical and domestic security challenges:</p> <ul style="list-style-type: none"> - Sovereign control of project is negotiated to meet shared goals, including providing security - Myanmar aims to hedge and balance major powers - Seek domestic stability, supported by Chinese assistance in border peace building 	<p>Geopolitical balance and domestic peace:</p> <ul style="list-style-type: none"> - Sovereign control of the project is retained - Myanmar capability to leverage strategic weight from its location, balancing major powers - Stabilised domestic peace process, reinforced by Chinese support

6.7.1 Table 8: Indicative Kyaukphyu risk management framework

In the best-case “opportunities” scenario a future Myanmar government is envisaged demonstrating capable and stable governance, balancing its relations with major powers including China, and delivering measurable and sustainable outcomes from the Kyaukphyu project for economic and social development in Rakhine State with broader spill-over benefits for Myanmar as a whole. This scenario is assessed to be *high consequence* (with likely net positive impacts, at least according to business interviewees and some academic interviewees) but is tentatively assessed (at least for the foreseeable future) as *low likelihood* given the capability constraints on Myanmar’s governance and the evident lack of commitment from the Tatmadaw towards reform.

The feared worst-case “threat” scenario would include Chinese militarization and control of Kyaukphyu, which is considered may arise as a threat in conditions of regional or global confrontation or conflict. This scenario is assessed to be *high consequence* (with self-explanatory negative impacts if it occurs against the wishes of Myanmar society) but the risk of Myanmar losing control of the port is tentatively assessed (at least for the foreseeable future) as *low likelihood* given the current constraints on China’s geopolitical hard power capabilities and Myanmar’s demonstrated agency and control to date, even amidst dysfunctional governance. Nevertheless, if risks are assessed across the life of a project, they may be assessed as becoming at least *medium likelihood* if the worsening geopolitical environment descends into regional confrontation and conflict and if China reassesses its stated policy of non-interference or is in a position to exert influence to achieve militarization with a compliant Myanmar government.

In practice, the opportunities, risks and threats will manifest over time in degrees along a continuum between these best and worst-case scenarios. There is significant scope for innovation and creative risk balancing by actors, in particular in the reconstruction of decision making following the twin crises of Covid-19 and the military takeover. Myanmar governments may exert more power than observers expect, as indeed its previous governments have demonstrated to date, but at the same time Chinese smart power in agenda-setting and its growing hard power to coerce or simply fund outcomes is meanwhile expected to grow. Risk management strategies for future decision makers must therefore be flexible enough to respond to movement along the opportunity-risk-threat continuum.

Given the lack of transparency around the project, it was difficult for interviewees to make observations about the economic risks of the Kyaukphyu port and SEZ. As noted above, business and indeed some academic interviewees envisaged *high consequence* transformational economic opportunities from this and other comparable projects (on the heavily contingent condition that they are well-governed, which is considered *low likelihood*), while some academic interviewees tended to be suspicious that only elites would benefit in all likely scenarios. Myanmar has demonstrated capability and willingness to renegotiate and proactively shape conditions for this and other projects with Chinese partners, but a countervailing culture lacking planning capacity, transparency and widespread corruption point to economic risk factors, such as return on

investment and potential for debt blow-out remaining at least *medium consequence/medium likelihood*. Myanmar can be observed to be actively diversifying its economic cooperation, with Kyaukphyu balanced by Myanmar-Japan cooperation in the Thilawa Special Economic Zone (MTSH, 2019) and other SEZs with other investors. However, since the military takeover Myanmar is even more likely to be shunned by foreign (especially Western) investors and China is likely to grow its share of investment in Myanmar. Risks of economic dependence therefore are at least *medium consequence/medium likelihood*.

Whether governance capabilities for project management, including new industry development from the deep-water port and SEZ, will be aligned with Myanmar's national development goals and will provide the conditions for positive economic, social and environmental outcomes is *high consequence* for the local Rakhine and national population suffering conflict and under-development, but achievement of such outcomes is perceived to depend upon governance capability for planning, standard setting, transparency, accountability and enforcement, which are poor, suggesting *low likelihood* of success. The gulf between the practices of government and business elites that engage with China and the evident popular distrust and fear of China, which generate community anger and resentment in relation to controversial economic development projects, raise important questions about how the Kyaukphyu project will be perceived. As demonstrated by the public campaign against the Myitsone Dam, a combination of environmental concerns and opposition to how China was expected to disproportionately benefit, the gap between the public and elites constitutes a *high consequence/high likelihood* risk to (and from) major China-backed projects. In the case of the Myitsone Dam, the former military-led government responded by suspending the project, at a significant cost to the Chinese firms involved, while pursuing the project may indeed have come at significant social and environmental cost to local communities. Closing the gap between elite and community perceptions, through greater transparency and inclusion, to build support for the Kyaukphyu project would significantly reduce risks to project proponents. Of course, it may however be as some community stakeholders believe, that greater transparency would only reveal economic, political, social and environmental costs that might outweigh gains.

Chinese actors' longstanding involvement in Myanmar's conflict zones and China's capability to exert influence in those regions, to either build or undermine peace, is *high*

consequence/high likelihood and one of the key factors of uncertainty in the future security situation. The role of China in peace making in the Rakhine state warrants further research to assess its likely contribution to the success, or failure, of the Kyaukphyu project over time. Armed resistance groups in Rakhine are considered to support Chinese development projects but the civil conflict nonetheless makes this a high-risk investment environment. Further, the situation on the ground remains opaque because of the lack of media access and a state-wide social media blackout.

6.8 Conclusion

The research findings underline that the case of Kyaukphyu port and SEZ in crisis-ridden Myanmar exhibits multiple risks, some from the international relations dynamics and many political, economic, social and environmental risks that are internally generated but nevertheless manifest in China-Myanmar interaction. These risks arise for a diverse range of stakeholders, within Myanmar and also for Chinese stakeholders in relation to implementation of Belt and Road projects. As the Kyaukphyu project exhibits such a wide set of risks but has so little factual public information available to researchers, it will likely continue to be a critical case for understanding risks of the BRI. This case study examination finds that stakeholders and experts with a deep engagement in the complexity of the issues can discern mutually constitutive risks and opportunities from the Kyaukphyu project. International and local actors engaged in the BRI in Myanmar, even in a state of crisis, seek to develop strategies to manage risks as well as to maximise opportunities for new industry development and broader benefits from regional and global economic integration.

Bigger questions of geopolitical balance and major power strategy loom large over the discourse, including the threat of militarization of BRI assets in a worst-case scenario that may arise in conditions of regional or global conflict. Nevertheless, the balance of risk in the China-Myanmar Economic Corridor may not be as simple as a question of asymmetric Chinese power. Applying a normatively sceptical political risk approach finds that diverse actors believe they are demonstrating agency and capacity to push back against China, while simultaneously pragmatically seeking to gain from engagement with China. There is therefore a paradox in the popular fear in Myanmar that rising China will exert asymmetric influence, when Myanmar demonstrates that even in a crisis and in a dysfunctional governance environment states and actors can retain agency. This points

towards the need for more case study research to understand the complexity of business environments along the Belt and Road and risks (and opportunities) of interdependence with China.

7. DEVELOPING A SUSTAINABLE INTERDEPENDENCE RISK FRAMEWORK

In this chapter, the complex information analysed in the earlier chapters is simplified into diagrams to present findings and a proposed framework for actors to utilise in scenario planning and risk management.

7.1 Risk factors

Pursuant to the grounded theory approach, risk factors were identified throughout the research as they arose in the field research interviews. The identified risk factors were validated by their presence in the literature and contemporary discourse. These risk factors can be grouped under the following themes, some of which may potentially be generalized and some of which are case study specific:

- Geopolitical trends
- China characteristics
- Belt and Road/interdependence challenges
- Finance cooperation
- Technology paradox
- Myanmar's perfect storm

All of the risk factors identified in the field research are listed in Appendix 2. They are briefly summarised here.

The geopolitical trends that were emerging at the beginning of this research had strengthened by its completion. An increasingly zero-sum geopolitical contest discourse is replacing the former, optimistic globalization and interdependence discourse. Geopolitics appears to be trumping economics, with state interventions seeking spheres of influence rather than interdependent economic cooperation. China is seeking a greater role in global governance and the US is resisting China's growing power. The contest of interests is mutually constitutive with a contest of values and nationalisms. In this context, the BRI and China's other platforms for economic interdependence may shape new kinds of regionalisms.

Characteristics specific to China make its growing power in the international system particularly challenging for actors seeking interdependence (or in geopolitical competition) with China, compared with previous major powers. These include factors that arise because of the nature of its political system as well as cultural differences. Decision making in an authoritarian, long-term focused China remains opaque to many international observers and its prioritisation of consensus, stability and systemic sustainability reduces risks for itself and generates risks (and opportunities) for other actors.

On the Belt and Road, China's asymmetric power, competitive advantages and business practices bring both opportunities as well as risks (and, in worst-case scenarios, threats) in finance, technology and infrastructure. These arise, however, in the context of domestic opportunities and risks in each country-specific case, with national government and other actor agency, in some cases generating risks for Chinese actors.

In finance, China has responded to a deficit in funding for infrastructure and challenges some of the norms of MDBs by focusing on developing world priorities. At the same time, debt sustainability is a key concern, for Chinese as for other lenders.

In technology, new risks and opportunities are arising from interdependence including risks in cybersecurity, while there are simultaneous geopolitical (and values discourse) pressures to decouple into two rival tech domains. These raise questions about national capabilities and international rule making.

In relation to the infrastructure case study of Myanmar and its "perfect storm" of risks, worst-case scenarios cannot be ruled out, including militarisation of assets, yet Myanmar has agency in other scenarios. Because of its poor local conditions, risks abound in the security environment, political system, society and economy.

7.2 Key risk concepts

From the key risk factors collected in the rounds of fieldwork interviews and summarised above, key themes and patterns were identified and, from those, key risk concepts were constructed.

These key risk concepts are best illustrated in table form and are grouped below under the same themes as above. Nevertheless, each risk concept should be understood – as they were by interviewees - as mutually constitutive in complex and often uncertain circumstances, and indeed many risk concepts (in particular those in the right-hand column below) are understood to contain seemingly contradictory opportunities.

This tabular illustration is proposed as a tool for an international actor to gain an overview of key areas of identified risk and to comprehend the multidimensional and inter-related nature of risks in each specific case. Indeed, the actor is advised to continue iteratively scanning from diverse information sources to assess the changing risk environment at all times.

Geopolitical trends

Each step of confrontation and conflict leads to escalation	Zero-sum sphere of influence contest	Economic competition
Geopolitical contest converts economic interdependence to vulnerability/coercion	Decoupling threatens business interests and disrupts supply chains	De-globalization and/or regionalization of key supply chains
Emerging power seeking to shape global governance/ status quo resistance	Major power preference for bilateral dealing	Complexity of global governance
Disinformation	Incompatible institutions and values	Misunderstanding, mistrust and “bad actor” stereotypes
Taiwan becomes emblematic test	Ukraine becomes model of sanctions and Western unity	Anti-China sentiment/anti-West sentiment stirred
China may benefit from contest/conflict	Question about future US leadership/decline	Centrality of Europe to West and also to global interdependence with China

China characteristics

Authoritarianism, party state, civil-military fusion	Strategic gambler but risk averse, protecting interests in all scenarios, including over-correcting	Long term drivers of consensus, stability, systemic sustainability
Fear of chaos, enhanced leadership transition risk since strengthened Xi	Nationalism and exceptionalism	Greater beneficiary from global economic interdependence than US
Opaque decision making	More complex, messier than appears	Liberal disillusionment with trajectory
Human rights concerns	Demographic shift	Fragile environmental/food security sustainability

Belt and Road challenges

Asymmetric Chinese power and leverage from financial, infrastructure and business influence	Debt dependency/creditor risk and clauses for reversion of ownership	Connectivity is disruptive even as it brings benefits
Asymmetric Chinese benefits, to Chinese firms and labour	Chinese comparative advantages in connectivity infrastructure and trade	Little interest in pursuing (beyond rhetoric) synergies with third parties
Historic Chinese business inattention to international environmental, social and governance standards	Lack of transparency, opaque project planning, China outside some international mechanisms	Lack of clarity about objectives and values
Poor Chinese understanding of recipient country needs, or firms acting with significant autonomy from the central government	Developing countries will seek to benefit but often lack capacity for project oversight to ensure benefits	Competitor responses to BRI constructing new connectivity platforms with geopolitical, mercantilist goals

Financial cooperation

Inadequate investment in developing country infrastructure	Debt sustainability problems in growing number of countries	MDB standards too high and inattention to infrastructure
Developing world frustration with voting shares in MDBs	Fear of Western sanctions drives RMB internationalisation	AIIB in its early years faces challenge of recruiting leading staff and learning
Uncertain future US leadership and potential for withdrawal from MDBs	Some developing countries nervous about bilateral borrowing from China	China outside Paris Club
MDB imposition of normative standards	Geopolitical bidding processes to exclude firms based on country of origin	MDBs need to spread risk by cooperating
Early stage understanding of financial planning for climate risk	Tendency of Chinese actors to focus on tactical compliance with political guidelines rather than strategic sustainability	BRI partners themselves are moving away from climate risky projects

Tech paradox

Tech interdependence is one of the great vulnerabilities, including to critical infrastructure with near impossibility to identify “backdoors”	Everyone does espionage: telecommunications is “100% geopolitical”	Risk is ever present: engineering solutions address engineering problems, but cannot ensure trust
Values divergence: surveillance capitalism/ surveillance state	US pressure on partners to take geopolitical approach, country of origin problematized	EU is norm shaper, shared values with US but some convergence with China
Lack of rules, including undermining of global	If inadequate national cybersecurity capabilities,	Major powers have offensive capabilities and defensive capabilities to

rule-setting institutions, is leading to tech decoupling	even global rules may not work	protect against vulnerabilities
Diversity of suppliers needed for cybersecurity resilience	Huawei, semiconductor sanctions set precedent and impact on whole value chains	Loss of credibility of expert advice to be supplier-agnostic, expert fear of speaking out

Myanmar's perfect storm

Militarization of BRI assets, in worst-case conflict	Complex Chinese engagement with conflict-prone border areas, including firms acting with significant autonomy from the central government	China prioritises relationship with Myanmar, international sanctions push Myanmar closer to China, even though China was not Myanmar's first choice for Kyaukphyu project
Security risks to all actors from Myanmar's dysfunctional state	Debt diversification/creditor risks	Reputation risks for all actors
Poor economic and social benefits for local Myanmar communities, including land grabs, corruption, human rights violations and repression in conditions of conflict	Inadequate national capabilities for governance, rules, standards and partners	Opportunities of connectivity infrastructure constrained by lack of major manufacturing inputs and stifling customs regulations
Potential for Chinese projects to become involved in local ethnic conflicts	Community anti-China sentiment amplified by lack of consultation	

7.2.1 Table 9: Key risk concepts

7.3 A sustainable interdependence risk framework

In the development of a sustainable interdependence risk framework, these key risk concepts above have been incorporated into a set of cross-case propositions, further

informed by the literature and other sources of information utilised in the analysis in foregoing chapters, including the over-arching dynamic of climate change, which co-exists with all of the other dynamics underway as both a risk (of global governance failure due to a failure to retain sustain interdependence) and an opportunity (to offer one platform, at least, on which to rebuild forms of cooperation for interdependence). The purpose of the propositions is to identify problematical dynamics, from sustainability through all of the other dynamics explored in the research, that actors will need to factor into political risk management, utilising scenario building to predict risks, threats and opportunities. The framework is not exhaustive, because the research was necessarily bounded in its scope, but the range of case studies was designed to demonstrate a broad range of dynamics, from best-case to worst-case interdependence and much ambiguity and uncertainty in between. The scenarios deliberately integrate security, environmental, economic and social goals, as these are integrated for all actors in practice and this tool is developed for practice, rather than for theory.

The proposition in the first column identifies a risk or set of risk factors. The second column draws a potential “worst-case” scenario in which risks continue to escalate towards zero-sum conflict and the third column draws a potential “best-case” scenario in which risks are reduced towards positive-sum outcomes for actors. Naturally, these scenarios are simplistic, but the purpose of the framework is to generate potential strategies that actors can apply. It operationalises the political risk approach for actor agency and illustrates the likely diversity of strategic options in uncertain dynamics. Which strategies actors choose will depend upon actors’ strategic mission and goals in a particular set of circumstances. Most international actors claim to be aiming for peace, prosperity and shared goals such as global cooperation against climate change. Some degree of interdependence is therefore likely to drive actors’ strategies in a range of scenarios. Nevertheless, actors may be likely to adopt worst-case strategies when a belief takes hold amongst decision makers that circumstances warrant it, in which case degrees of interdependence may be reduced. The framework is proposed therefore as an aid to assessment of contingent strategic options, according to an actor’s mission and goals.

Risk proposition	Worst-case scenario strategy	Best-case scenario strategy

<p><i>Climate change, worsening natural disasters, sea level rise, global warming and food and other crises</i></p>	<p>Disengage from cooperation on transformation to more sustainable economies, decouple finance and tech and fail to invest in more sustainable infrastructure connectivity</p>	<p>Strengthen cooperation on transformation to more sustainable economies, leverage global finance, tech innovation and new, sustainable infrastructure connectivity</p>
<p><i>China-US conflict, whether by miscalculation or clash of geopolitical imperatives</i></p>	<p>Weaponize each point of interdependence and seek to influence other partners against their rivals, decouple finance and tech and pursue infrastructure connectivity to gain geopolitical advantage, including militarize assets and weaponize “values” differences to create fear and blame of rivals</p>	<p>Invest in confidence-building and risk-reduction measures to accommodate power sharing, including norms and rules for interdependence in finance, tech and infrastructure connectivity, and pursue cross-cultural understanding</p>
<p><i>Failing global governance in addressing climate change, sustaining peace, fostering development and inadequate or fractured systems of regulation for trade, finance and tech</i></p>	<p>Disengage from platforms for global norms and rule-making, decouple into regions dominated by rival great powers with institutions, rules and standards that are inconsistent between regions</p>	<p>Reform global governance to build institutional and actor capacity to manage complexity and diversity, provide platforms for negotiation, agreement, monitoring and enforcement of rules that address global challenges, manage risks and pursue interests of all actors</p>
<p><i>Governance dysfunction in China and/or US</i></p>	<p>Pursue populist zero-sum mercantilist, nationalist and disinformation strategies to gain advantage over rivals</p>	<p>Lead internal reform to address domestic problems, in order to better compete with rivals</p>
<p><i>Leninist party state characteristics that create unique risks</i></p>	<p>Deepen authoritarianism that fails to address domestic problems, reducing internal legitimacy and potentially generating future disorder and chaos, increasing the likelihood of geopolitical</p>	<p>Pursue reform and opening that addresses domestic problems, maintains stability and interdependence with the international system based on respect of mutual</p>

	confrontation, decoupling and reduced interdependence	interests and non-interference
<i>Asymmetric advantage</i> embedded in the Belt and Road	Build power over sphere of influence for projection of security interests, financial leverage, technological superiority and economic advantage that entrenches partner dependency and vulnerabilities and provides a business environment characterised by corruption and clientelism and delivers poor social and environmental outcomes	Support capacity-building for partners to ensure mutual benefits and sustainable development outcomes from investment in efficient infrastructure connectivity that deepens interdependence
<i>Debt unsustainability</i> in the developing world	Wield unilateral financial power to exert control over debtors, abandoning coordinated debt sustainability cooperation and inefficient investment in sustainable development	Cooperate with other multilateral and national financial institutions to stabilise debt and to leverage greater finance for sustainable development
<i>Weaponization of tech</i>	Decouple into two or more tech systems preventing and problematizing rival tech, with major powers retaining capabilities for cyber offence and defence and influence over bloc partners throughout regionalized value chains	Build global institutions, norms, rules and standards that address security imperatives of states while facilitating global value chains and global cooperation in technological transformation for sustainable development
<i>State failure in Myanmar</i>	Militarize assets, aggravate further ethnic conflict, human rights abuses and corruption in pursuit of asymmetric power goals at the expense of local population needs	Invest in infrastructure connectivity that provides skills, employment and capabilities for inclusive, local sustainable development and integrates Myanmar into regional and global value chains

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7.3.1 Table 10: A sustainable interdependence risk framework

Constructed from the findings of the research project, the framework suggests a normatively-sceptical approach to major risks facing international actors in interdependence with China, by illustrating alternative scenarios which in some cases re-frame the issues quite differently from the dominant discourse.

In relation to climate change, the conclusions of the research point to the risk that decoupling technology and finance will undermine attempts to build sustainable infrastructure connectivity and more sustainable economies.

On the threat of China-US conflict, the risk/opportunity research-driven framework re-directs attention towards (currently under-examined) opportunities for confidence building and risk reduction measures including international norm and rule setting, as well as initiatives for cross-cultural understanding. These would appear to require some accommodation of power sharing. On failing global governance, the framework identifies that there may be an alternative to multilateral malaise, namely reform of the international system to build institutional and actor capacities to manage risks.

The framework recognises that potential governance dysfunction in both major powers (as indeed in other national jurisdictions) generates risks, while attention to internal reform may switch the focus to the opportunities from competition rather than risks of geopolitical contest. Nevertheless, it acknowledges the unique risks of China's Leninist political system and suggests that deepening authoritarianism may escalate risks, while reform and opening may mitigate risks.

On the key problem of asymmetry in relation to Chinese power, the chief risk that underpins the BRI, the framework points to the importance of capacity building for China's partners to ensure mutual and sustainable benefits from interdependence. With the right capabilities, international actors can achieve positive sum interdependence; capacity constraints point to the likelihood of less positive sum outcomes. The framework also highlights the importance for multilateral and national financial institutions to cooperate to manage debt sustainability and to leverage more finance for sustainable development and to avoid debt traps.

The framework summarises the tech competition as a question of weaponization of interdependence and notes opportunities (as yet little explored in practice) for international cooperation to build global institutions, norms, rules and standards that minimise security risks while maximising opportunities for technological transition that delivers sustainable development.

On the “worst-case” example of state failure in Myanmar, the framework both demonstrates the geopolitical risks (the focus of academic observers, given governance failures) as well as the interdependence opportunities (the imperative of business actors on the ground, despite well-grounded doubts about governance capabilities).

The sustainable interdependence risk framework is proposed as a tool for actors in their risk identification, analysis, assessment and management. It is not intended to propose a binary view of risk and opportunities, and rather should be read in conjunction with the more detailed risk and opportunity framework tables contained in each case study. Those case study tables demonstrated that scenarios and risks are generated along a spectrum from opportunity to threat, with variable risk management strategies along that spectrum.

An actor’s selection of strategic mission and goals will allow for proportionate risk assessment and response. If actors’ goals are aligned with best-case scenarios, the proportionate risk management measures that they implement for less than best-case risks may nevertheless be expected to contribute to confidence-building amongst other actors, and further sustain interdependence. If, in circumstances in which risks are assessed as high consequence and high likelihood, the actor decides it is necessary to take worst-case scenario measures, these measures too can be taken proportionately and can be expected to elicit proportionate responses, although any spiral of escalation risks undermining resilience of interdependence.

This framework is based upon an attempt to suggest non-normative, case-specific risk assessment. It is not a theory, but a framework for action that maintains a focus on strategy and desired outcome. It does not mean that positive sum interdependence will be sustained in all cases. The deeply troubling state failure of Myanmar remains an example of where key actors have chosen conflict, springing from domestic causes, undermining the potential for the people of Myanmar to benefit from sustainable development and

creating a climate of risk and vulnerability. The case of the AIIB, on the other hand, illustrates benefits for sustainable development from actors choosing to cooperate, in order to spread and manage risks and to leverage greater funds for sustainable development. Most cases may be expected to fall somewhere between these worst-case and best-case examples on a spectrum between conflict and interdependence. This discussion points to the importance of agency of actors in both selecting mission and strategy, and in method of implementation.

The simplicity of the framework should not be misunderstood to suggest that these tasks are simple, but as a strategic tool aiming to balance and minimise risks and to achieve goals. Strategic decisions by actors are deeply context-specific and require a sophisticated, resilient process of identification, analysis, assessment and management of risks in each set of conditions. An actor will likely integrate risk analysis and assessment into policy planning, an early warning system that raises “red flags” for changing risk factors that may require proportionate adjustment of strategy, and a monitoring system to ensure implementation is mission-aligned and achieving the actor’s goals. Risk management therefore becomes a complex system of strategic learning and development that mirrors the uncertainty and complexity of the operating environment. A strategic risk management system should support an actor to allocate resources towards both achieving best-case outcomes and protecting vulnerabilities in order to avoid worst-case scenarios.

9. CONCLUSIONS

World order is in an early phase of a likely significant transformation, with uncertainty about how that transformation will take place generating a wide spectrum of risks. The balancing of risks managed during the interdependence era until around 2017-2020 appears to have given way to disruption and pessimism about balancing risks. The system of global governance that had evolved in the post-war period appears no longer fit for purpose to manage ever greater complexity and diversity, seemingly unable to sustain cooperation between the US and China, nor to guide the kind of economic transformation and new resource utilisation balance that would be needed to shift to a sustainable model for development. How actors including a more powerful China shape a new multipolar system, sustain peace and international cooperation, including to address climate change, harness transformative technologies and finance new sustainable development, remain in question.

The political risk and grounded theory approach taken in this research in relation to China's BRI and related geo-economic initiatives points to the need for more proportionate understanding of dynamics at play in a diversity of settings, and normatively sceptical frameworks for comprehending alternative strategies available to actors in shaping solutions to complex problems. Underlying the challenges facing international actors is the question of whether complex interdependence can be sustained with China, or whether risks become threats and geopolitical imperatives demand decoupling of the international economy into rival regionalisms.

Despite the liberal optimism of the heady days of globalization that trade and investment would diminish the importance of national borders and that a flatter world would empower civil society and business as much as government, the nation state remains the sole source of legitimate power, and those states with disproportionate power in the international system jealously guard that power, while others desire it. The return of geopolitics suggests that for a hegemonic state, the global balance is only acceptable if it is in control, but if that control is in contest, balance no longer becomes the goal. Rather, duelling major powers seek zero-sum imbalance. Mearsheimer's certainty that the US and China must clash seemed dramatic when he first claimed it, yet looks like common sense to most observers at the time of writing this. China appears to many in the West to

be intent on dismantling the liberal international order, yet as Keohane recognised, realism underpins interdependence because it provides a model to accommodate diverse interests no matter if there must be a constant process of bargaining and balancing. The liberal international order may yet turn out to be sustainable, if the duelling great powers can find a way to share power, despite different values. A thin version of the liberal international order, less focused on spreading values but providing for mutual interests, appears to be at least as likely a scenario as the chaos of abandoning international rules and cooperation all together. Scenario planning for management of diverse risks in conditions of uncertainty remains therefore critical, rather than accepting the fatalism of theory.

China is posing a range of challenges and propositions for an emerging new world order, with a confidence that it will play a lead role in a new era of interdependence, including strengthening multilateral institutions and shifting to a sustainable model for development. It is building greater power, including as examined here, in finance, technology, infrastructure connectivity.

At the time of writing (with post-Covid interest rate raises, inflation and soaring US dollar), the increase in debt distress in the developing world keeps some attention on China. While the Chinese government waived repayment of a tranche of interest-free loans to 17 African countries that were due to mature at the end of 2021 (MFA, 2022, August 19), there were nevertheless an estimated 42 countries with debt exposure to China above 10 per cent of GDP (*South China Morning Post*, 2022, September 12). A sustainable process of debt management will be an important likely feature of the emerging world order and China will need to be a participant in such a process. Risks of interdependence are indeed starkly illustrated by the potential for financial crisis in the developing world. Preventing systemic risk is a critical question for global governance at a time of a reshaping global order.

The case studies examined in this research demonstrate that there are fields in which complex interdependence will likely continue to exhibit Keohane's continuous bargaining and adjustment in order for actors to maximise interests, while there are also fields in which a highly normative, geopolitical contest is underway that potentially undermines interdependence. The new focus on geopolitical contest may indeed impede evidence-based policy making, privileging securitised discourses of confrontation and

conflict over potential for sustainable strategies for multi-stakeholder cooperation. Areas of interdependence are therefore likely to co-exist with areas of geopolitical contest, in an uneasy dynamic. Both China and the US are likely to continue to claim they are each exceptional and only one has the answers. The case study research demonstrated it is not so simple.

In finance, a shared risk approach is demonstrated by the emergence of the AIIB. In that case, China has contributed a new institution, challenging US leadership of global finance yet seeking reform rather than revolution to address the needs of the developing world. More transparency about bilateral Chinese lending would help to reassure concerns about debt sustainability. The growth of green finance may in time provide an opportunity for greater accountabilities in resource planning, transparency of lending and tracking of project deliverables.

In technology, a shared, multi-stakeholder risk approach is demonstrated to be the optimal risk reduction approach, in the face of very real and multiple-sourced cyber-risks. Yet geopolitical contest and spiralling distrust is undermining international cooperation in constructing new institutions, norms and rules to protect the integrity of systems that are expected to transform economies, societies and assist the shift to sustainability. There may yet be some room for compromise in particular if brokered by the EU, which is a norm leader.

In infrastructure connectivity, China's different risk approach is demonstrated, underlining a confidence in the normatively sceptical, Asian model of development, although this approach has generated claims of debt risks, opaque decision making, corruption and other problems, often at the country or project level in high-risk operating environments. The risks in the case of Kyaukphyu, Myanmar, are so high and so diverse that it is too premature to draw conclusions about likely benefits there for the local stakeholders. It points to the need for China to pay closer attention to local and regional sustainable development outcomes.

The Belt and Road and China's other geo-economic initiatives offer a complex of risks and opportunities for international actors. They raise important questions about the balance of power, dependence versus interdependence, norms and rules of the multilateral system and a diversity of risks. It is not possible to make a generalisable conclusion that

the BRI as a whole constitutes either threat or opportunity; it is a universe of cases and each case needs to be examined according to case-specific evidence. Research on the implementation of the BRI and related initiatives over the years ahead may provide a rich source of future knowledge on how sustainable development can either be achieved or undermined; how mutual benefits are balanced or asymmetrically disrupted; and ultimately whether China's new trans-regional interdependence platforms shift the power balance by reforming or overturning the liberal international order. Given the forward-looking political risk approach taken in this research, a sustainable interdependence risk framework has been proposed in the chapter above for actors to assess appropriate strategies to achieve their goals in different scenarios, understanding that risk assessment and management must be based upon a continuous scanning and evaluation of the empirical evidence in each case.

Beyond empirical approaches, however valuable, the findings of this research point to the need for a new, normatively sceptical theoretical approach to understanding the issues at play in interdependence with China. At the time of writing, highly ideological, normative frames were being wielded by scholars in both the US and China, pitting two rival sets of values against each other. At the same time, the return of geopolitical thinking has pitted the "imperatives" of one great power against another. Geopolitical risk is once again being wielded in a zero-sum battle for power between the US and China, constructed as two rival systems, as if we were living in a re-run of the Cold War, yet the evidence from this research is that such geopolitical frames are constructed from simplistic normative preferences rather than describing complex interdependence on the ground.

The risks of actors developing strategies based on normative and geopolitical competition without paying simultaneous attention to sustaining interdependence include escalation to conflict, failure to address the increasingly urgent shared risks of climate change, introduction of transformative new technologies without adequate guardrails and objectification of the developing world as a new great game of geopolitical competition.

The findings of this research suggest that normative great power frames based upon exclusive values and zero-sum interests are inadequate to respond to the complexity of the contemporary challenges. It is understandable that, at a time of geopolitical power shift, scholars and military-intelligence analysts will develop advice based on worst-case scenarios. However, there is a diverse range of actors who have a stake in preventing

worst-case scenarios and for whom the risks are more complex than black versus white. In particular, in addressing global challenges such as development and climate change, many stakeholders are likely to seek interdependence and cooperation rather than submit to assumed major power imperatives for confrontation and conflict. The emerging order is likely to be multipolar and not a bipolar Cold War. It is likely to remain deeply economically integrated, even if some specific value chains become “decoupled” for security reasons. The new world order may, over time, feature an empowered set of new actors from what has been known as the developing world, which may become a new majority voice in future international discourse. Many of those emerging actors will not wish to “choose” between China and the US, rather assessing their interests as better protected in well-managed complex interdependence. Further, new technologies may lead to reinvention of economic models and, indeed, may need to do so on a global scale if calamitous climate change is to be avoided. We may expect some observers to depict these changes as a values and interests battle between the advanced economies and the developing world. That would be too simplistic, as most nations and other actors can be expected to remain interdependent and to resist great power pressures to withdraw from globalization. Yet the geopolitical contest underway risks undermining the resilience of the international system in building capacity to address global challenges, and this is particularly evident in the failure of the international system to build adequate cooperation in addressing the looming climate crisis.

A new theoretical framework for sustainable internationalism may therefore be needed to understand these new, emerging conditions. Such a new theoretical framework would need to address not only great power imperatives but a wider range of imperatives for a new multipolar, inclusive, multilateral, shared-risks/mutual interests-based international system. It would not assume Western dominance is normatively preferred, the key principle underlying the concept of liberal international order. To be acceptable to Western societies, however, it would need to address the apparent failures of the liberal international order, by constructing a new global sense of purpose to address shared challenges to replace the “westernizing” imperative that emerged from the Cold War era, and provide greater security than the binary contest model also inherited from the Cold War.

In recognition of a world with a more powerful China (and other developing nations over time), the development of a theory for how the international system can operate with

resilience, shared power, shared risks and as a global commons rather than as a normative hierarchy of actors would better integrate governance, social, economic and environmental elements than the current system devised chiefly around normative Western power. It would need to provide a theoretical underpinning for confidence building institutions and other measures to sustain peace and international cooperation against climate change, regulate new technologies and strengthen economic security for all actors from deeper interdependence. Just as liberal internationalism emerged to explain a post-war world that the US sought to lead, a new sustainable internationalism may be needed to explain a multipolar world that must find a way to share power and to build global coalitions of interest in addressing shared risks.

If political risk research can help to prise away the term “geopolitical risk” from normative frameworks and help develop normatively sceptical frameworks, the field may finally find its way to contribute to international relations theory. To only assess risks from a normative perspective is itself generating the risk of missing half of the dynamics at play, as any successful international business knows. Scholars may benefit from observing how successful actors such as businesses scan for risks and scenarios with normatively sceptical frameworks and adjust strategies accordingly to achieve their mission. This is likely, after all, to better reflect the approach of most states in a more multipolar order. Further, bringing non-state actors into the frame appears a useful way in which to approach important elements of the emerging international system, in particular in relation to the giant tech firms but also in finance and infrastructure. As the BRI illustrates, building new infrastructure connectivity will shape a new world order and it is not only states that have a stake in how that new world order will function.

Finally, Asia will be the central testing ground for the new world order, not only because of the rise of China, followed by India, but also the deep integration of regional powers into global value chains, from Japan and South Korea to the trading nations of South East Asia, which remain dependent on global rules, flows of foreign investment and process innovation to maintain cost competitiveness, which in the next phase of development is likely to mean new, sustainable, tech-driven business models. The world’s most populous region, Asia, would be badly hit by a new Cold War and a decoupled international economy. While few of the actors interviewed believed such an outcome is inevitable, there was plenty of evidence that expectations are growing within both the US and China that their future must be more security-focused and self-reliant. Interdependence in its

next phase may indeed be as much a creation of the rest of the world as the great powers and China and the US – if either or both opt for confrontation and conflict – may become less essential than they believe. The diversity, scale and growth of emerging Asian economies, from Bangladesh to Indonesia and Vietnam, will likely make them more important in global value chains, along with well-established globalised economies of East Asia. Integrating the growing number of emerging economies with global finance, infrastructure connectivity and new technologies will be fundamentally important to how the region transforms towards higher value, higher productivity and more sustainable economic models. Indeed, given its scale and global economic integration, Asia's sustainable development is also fundamentally important to global peace, prosperity and environmental health and therefore Asian frameworks will be important to assess as much as normative frameworks of the traditional advanced economies. Managing risks in Asia will be an important component of managing global risks and that requires understanding those risks in all their complexity.

Appendix 1: Research interviews

Interviews (Armenia)

Albert Hayrapetyan. Analyst, Amberd Research Centre of Armenian State University of Economics. Yerevan, December 1, 2022

Chen Liang. Vice-President, Public Affairs and Communications Department and Digital Power Business Department, Middle East and Central Asia Region, Huawei. Yerevan, December 5, 2022

Vardan Atoyán. Head of Social Sciences Department, Armenian State University of Economics. Yerevan, December 6, 2022

Mher Sahakyan. Director, China-Eurasia Council for Political and Strategic Research. Yerevan, December 7, 2022

Interviews (Australia)

Mark Gregory. Editor, *The Journal of Telecommunications and the Digital Economy*. Via Zoom, April 12, 2021

Simon Lacey. Senior Lecturer, International Trade, University of Adelaide; former Vice President, Global Government Affairs, Huawei. Via Zoom, April 9, 2021

Peter Lewis. Director, Center for Responsible Technology. Via Zoom, April 9, 2021

Hans Hendrischke. Professor, Chinese Business, University of Sydney Business School. Via Zoom, June 8, 2022

Interviews (Austria)

Johannes Leitner. Lecturer, Political Risk, University of Applied Sciences, Vienna. Via Zoom, September 23, 2020

Chen Feiyun. Manager, Public Relations and Government Affairs, Huawei Austria. Vienna, December 8, 2022

Interviews (Belgium)

Anonymised official. International Energy Charter Secretariat. Brussels, November 4, 2021

Mark Dempsey. Team Leader, Enhanced Data Protection & Data Flows. Hertie School. November 5, 2021

Alia Papageorgiou. Vice President, Association of European Journalists. Brussels, November 5, 2021

Philip Herd. Director of Communications, EU Public Affairs, Huawei. Brussels, November 5, 2021

Caroline Morgan. CEO, International Federation of Reproduction Rights Organisations. Brussels, November 5, 2021

Anonymised senior EU official. European External Action Service. Via Zoom, December 3, 2021

Interview (Canada)

Reza Hasmath. Visiting Professor, Political Science, University of Alberta. Via Zoom, April 13, 2022

Interviews (China)

Zheng Quan. Director General, Policy and Strategy; and Thia Jangping, Principal Economist, Asian Infrastructure Investment Bank. Beijing, July 2, 2019

Li Wenling. General Manager, Vivafounder Investment Holdings Limited. Shenzhen, November 8, 2019

Anonymised senior EU diplomat. Beijing, November 11, 2019

Yin Yihang. Researcher (Myanmar), Taihe Institute, Beijing. Via written answer, April 12, 2021

Albert Oung. Chairman, Hong Kong Myanmar Chamber of Commerce. Via WhatsApp, May 25, 2021

Achim Schueller. Managing Partner, EunaCon Business Consulting Ltd. Via WeChat, June 17, 2021

Zhang Yifan, former CITIC contractor (Kyaukphyu project, Myanmar), PhD student, Renmin University, Beijing. Via Zoom, August 30, 2021

Paul Apthorp. Director, Greater Mekong Transportation and independent consultant. Via Zoom, May 10, 2022

Sir Danny Alexander. Vice President, Policy and Strategy, Asian Infrastructure Investment Bank. Via Zoom, May 18, 2022

Guan Zhaoyu. Research Fellow, Beijing Foreign Studies University, Beijing. Via WeChat, June 14, 2022

Anonymised international business leader in China. Via Signal, June 14, 2022

Geoff Raby. Director, Geoff Raby & Associates, former Australian Ambassador to China. Via Zoom, June 22, 2022

Christoph Nedopil Wang. Director, Green Finance and Development Center, Fanghai International School of Finance, Fudan University, Shanghai. Via Zoom, August 11, 2022

Interview (Estonia)

Lauhde Mika. Vice President, Cyber Security and Privacy, Global Public Affairs, Huawei. Via Zoom, June 8, 2021

Interviews (Hungary)

Bánhidi Ferenc. Telecommunications consultant; former senior official, Hungarian telecommunications authority; current Hungarian representative Body of European Regulators for Electronic Communications. Budapest, December 17, 2019

Stepper Péter. International Relations Manager, Security Policy Office, Antall József Knowledge Centre. Budapest, September 25, 2020.

Varga Gergely. Senior Research Fellow; and Ilyash György. Research Fellow, Institute for Foreign Affairs and Trade. Budapest, September 24, 2020

Friedmann Viktor. Associate Professor, Director of International Relations program, Budapest Metropolitan University. Budapest, June 22, 2021

Chen Chaoyi. Assistant Professor, John von Neumann University, Hungarian National Bank. Budapest, October 18, 2022

Interview (India)

Dharmendra Kumarsingh. Senior Manager, Adhra Pradesh State Fiber Net Limited, former Deputy General Manager, Huawei India. Via Zoom, May 18, 2022

Interviews (Kazakhstan)

Joanna Lillis. Journalist, *The Economist*. Almaty, October 6, 2022

Aizada Nuriddenova. Professor, Department of International Relations, Suleyman Demirel University. Almaty, October 6, 2022

Ge Liang. CEO; and Farida Toleubayeva. Director of the General Manager's Office, Huawei Kazakhstan. Almaty, October 8

Bakhytzhan Shengelbayev. Professor, International Law, Caspian University; former diplomat; former Vice-Minister of Tourism and Sport of the Republic of Kazakhstan. Almaty, October 9

Baur Bektemirov. Chief Economist, Astana International Financial Centre. Astana, October 10, 2022

Nurlan Kussainov. Former Deputy Governor, National Bank of Kazakhstan; former CEO, Astana International Financial Centre Authority; and board member, Astana International Exchange. Astana, October 10, 2022

Timur Shaimergenov. Executive Director, China Studies Centre. Astana, October 10, 2022

Ikboljon Qoraboyev. Professor, International School of Economics, Kazguu University. Astana, October 11, 2022

Jessica Neafie. Assistant Professor, Department of Political Science and International Relations, Nazarbayev University. Astana, October 11, 2022

Interview (South Korea)

Han Sukhee. Professor, Graduate School of International Studies, Yonsei University; former Consul General, Shanghai. Seoul, July 9, 2019

Interviews (Malaysia)

Ng Yeen Seen. Chief Executive Officer, Centre for Research, Advisory & Technology. Kuala Lumpur, May 26, 2022

Chua Tian. Member of Parliament, Vice President, People's Justice Party. Kuala Lumpur, May 29, 2022

Interviews (Myanmar)

Anonymised business leader. Yangon, November 4, 2019 (including site visit to Thilawa Special Economic Zone, November 6, 2019)

Anonymised Australian diplomat. Yangon, November 4, 2019

Anonymised academic. Yangon, November 4, 2019

Anonymised academic. Via Zoom, November 5, 2020

Anonymised academic. Via Zoom, November 6, 2020

Anonymised academic. Via Zoom, November 10, 2020

Anonymised academic. Via Zoom, November 18, 2020

Anonymised academic. Via email answers (Zoom interview cancelled), January 11, 2021

Anonymised business leader. Via Zoom, June 22, 2021

Anonymised activist. Via Zoom, October 21, 2021

Interviews (Poland)

Marco Xu. Vice President. Sun Dongsheng. Senior Public Relations Manager, Public Affairs and Corporate Communications, CEE & Nordic European Region, Huawei. Warsaw, March 23, 2022

Aleksandra Bartosiewicz, Paulina Szterlik and Radoslaw Jadczyk. Department of Operational Research (Logistics and Transportation), University of Łódź. Łódź,

March 24, 2022

Jakub Jakóbowski. Project coordinator, Connectivity in Eurasia, Centre for Eastern Studies. Warsaw, March 25, 2022

Justyna Szczudlik. Deputy Head of Research and China analyst; and Marcin Przychodniak. China analyst, Polish Institute of International Affairs (PISM). Warsaw, March 28, 2022

Bogdan Góralczyk. Former Polish diplomat; Director, Centre for Europe, University of Warsaw. Warsaw, March 28, 2022

Interviews (Singapore)

Gong Xue. Assistant Professor, China Program, S Rajaratnam School of International Studies, Nanyang Technological University, Singapore. Via Zoom, May 19, 2022

Bert Hofman. Professor in Practice, Lee Kuan Yew School of Public Policy; Executive Director, East Asian Institute, National University of Singapore; retired former banker with World Bank. Singapore, May 24, 2022

Nuo Jiang. Chief Digital Officer; and Wu Di. Huawei Cloud, Asia Pacific. Via Zoom, May 26, 2022

Interview (Thailand)

Kiatchi Sophastienphong. Retired former career banker with World Bank, Asian Development Bank and Central Bank of Thailand. Bangkok, May 10, 2022

Interview (United Kingdom)

Kerry Brown. Professor, Chinese Studies, Lau China Institute, Kings College London. Via Zoom, June 16, 2022

Interview (United States)

John Hemmings. Associate Professor, Daniel K. Inouye Asia-Pacific Center for Security Studies. Via Zoom, April 16, 2021

Appendix 2: Identified Risk Factors

Pursuant to the grounded theory approach, the risk factors grouped in the table below are sourced from the field research interviews. Note, interviewees residing in Myanmar have been anonymised, as has one international business leader in China, a senior EU official, a senior EU diplomat, an Australian diplomat and an official of the International Energy Charter Secretariat, at their request.

Geopolitical trends

Complexity risks for all governance systems	Brown
Conflict, cessation of diplomatic and economic cooperation	Bartosiewicz, Szterlik & Jadcak
Zero-sum, spheres of influence	Szczudlik & Przychodniak; Qoraboyev
Geopolitics trumps economics	Schueller; Hemmings; Varga & Ilyash; Atoyan
Conflict would not only destroy business but weaken US and strengthen China	Business in China
Espionage	Lacey, Gregory
China is committed to restoring its position in global governance and reshaping elements of the international system	Hendrischke; Brown; Raby; Morgan; business in China
Each geopolitical move sparks a response, which escalates	Gregory
The more the US refuses to concede strategic space to China, the more China will challenge	Raby
Business does not want decoupling: China is where data is and AI will need access, as well as finance	Lacey
Values incompatibility makes Chinese power unacceptable to the West, with liberal disillusionment perhaps more important than realist competition	Friedmann
Misunderstanding between China and West, distrust, exaggeration	Guan; Hofman; Hasmath; Schueller; European diplomat; business in China
Nationalism	Brown; Raby
Appearance China supports Russia in Ukraine	Góralczyk; Szczudlik & Przychodniak; Chen
Western unity in imposing sanctions on Russia will unintentionally stimulate moves to internationalise the RMB	Hendrischke; Guan
Europe will be central to US strategy to decouple from China, as it will be to China's strategy to remain	Hendrischke

interdependent, and Europe's businesses need both	
Hardening anti West narrative in China/anti-China narrative in West and failure of reassuring communications to address misperceptions	Raby; Hasmath; Schueller
Emotional "bad actor" stereotype of China in the West	Hasmath
Deglobalization, shifting towards regionalism	Guan; Chen
Russian hegemony in Central Asia is being replaced by a new kind of regionalism in Eurasia with the BRI a key factor	Nuriddenova; Qoraboyev; Kussainov; Shaimergenov
Russia risks may escalate development of alternative BRI routes avoiding Russia	Bektemirov; Qoraboyev; Kussainov
Deglobalization is a greater risk to China than US	Raby
US/China both seeking decoupling in strategic areas	Raby; EU official
Supply chains and interdependence in critical areas at breaking point	EU official
Taiwan conflict risk	Guan
Taiwan heightened conflict problematical because of deep interdependence and shared values	EU official
Sustained US-China economic contest	Guan; Brown
US/Chinese economic coercion	Brown; business in China
US/Chinese preference for bilateralism, despite rhetoric and platforms to set narratives and norms	Neumann
US future leadership, potential for exaggerated political rhetoric on China	Guan; Brown

China characteristics

Chinese government authoritarianism, direct interference in firms and civil-military fusion	Hemmings; business in China
China thinks long term and based on consensus, stability and systemic sustainability	Hendrischke; Guan; Brown; Raby
China will over-correct for surprises, due to its aversion to risk	Hendrischke
Chinese decision making appears opaque to Western observers (and is often messier than it appears)	Hendrischke
Chinese disinformation	Szczudlik & Przychodniak
Unplanned Chinese leadership change (or acceptance of Western demands) could result in chaos rather than stability	Hendrischke; Brown

Increased risk in Chinese transfer of power since Xi Jinping	Raby
China is a strategic gambler, which envisages multiple scenarios, with no “no go” areas if its interests are threatened	Hendrischke
Chinese commitment to and confidence in interdependence misunderstood	Hasmath; Shaimergenov
Appears China little interested in synergies in connectivity	EU official; Han
China now wishes to be independent of the West, except those with which it can maintain friendly relations	Chen
Tendency of Chinese actors to focus on tactical compliance with political guidelines rather than strategic sustainability	Wang
Xinjiang forced labour (but politicised)	Brown; Raby; business in China
Environmental sustainability and demographics in China	Brown

Belt and Road/interdependence challenges

Global economic risk of high cost infrastructure program	Chen
Risk in interdependence with economic partner becomes a strategic threat/Chinese control from asymmetric influence	Myanmar activist; Myanmar business leader; Hemmings; business in China
SE Asian view to make the most of interdependence but China is benefiting, including from BRI	Kiatchi
China competitive advantage in manufacturing over SE Asia, other regions	Kiatchi; Chen
China asymmetric power and therefore likely leverage over others: finance, technology, infrastructure	Apthorp, Hasmath, Myanmar business leader, Hemmings
Only interdependence will deliver cooperation on sustainability	Papageorgiou
Anti-China sentiments but need to turn to China for investment and finance	European diplomat
BRI about number and announcements, not outcomes; ideologically-driven	Han; Chen
Chinese asymmetric benefits from BRI projects, including labour	Apthorp; Kiatchi; Myanmar activist; Schueller; Myanmar business leader; Hemmings; Han
Lack of transparency on Chinese projects, opaque project planning and decision making	Apthorp; Kiatchi; Myanmar activist; Myanmar business leader; Zhang; Myanmar academic; Chen
“Lack of clarity about objectives and values” impeding collaboration	EU official; Han
(Historic) Chinese business inattention to international environmental, social and governance standards	Alexander; Wang

Clumsy Chinese soft power initiatives have little effect	Neafie
Reputation risks for firms partnering with BRI	Australian diplomat
Recipient countries poor governance standards and inadequate capacity for social, environmental and economic planning to ensure benefits	Gong; Hofman; Ng; Oung; Zhang; Myanmar academics; Myanmar business leader; Qoraboyev; Neafie; Hayrapetyan
Poor Chinese understanding of recipient country needs	Jakóbowski; Myanmar academic
Many Chinese firms act with significant autonomy, or provincial rather than national government ties	Friedmann; Myanmar business leader; Li
Lack of knowledge about China encourages populist and sometimes racist responses	Lillis; Nuriddenova; Neafie; Shaimergenov
Community anti-China sentiment amplified by local government corruption, lack of consultation, business behaviour	Ng; Myanmar academics; Li; Lillis
Creditor risk for China (clauses reversion of ownership)	Oung; Lacey; Hemmings; Chen
Reputational risks for China, Chinese firms and financial institutions	Gong; Zhang
Security risks to Chinese firms and securitisation in insecure environments	Gongs Zhang; Myanmar academics
European disappointment/disillusionment with outcomes	EU official; Bartosiewicz, Szterlik & Jadcak; Jakóbowski; European diplomat; Szczudlik & Przychodniak
3SI and other new connectivity platforms designed with geopolitical aims, including US seeking benefits for its businesses	Stepper; Varga & Ilyash; Leitner
Western powers may frame bidding processes to exclude Chinese firms (including tech)	Varga & Ilyash; Leitner

Finance cooperation

Debt sustainability	Alexander; Lacey; Hemmings; Zhang; Zheng & Thia; Chen
Early stage understanding of financial planning for climate risk	Wang
Aversion of MDBs to finance infrastructure in high-risk environments (risks need to be spread by cooperation)	Zheng & Thia
MDB standards too high	Hofman
AIIB and BRI focused on developing world priorities for development, economic transformation	Zheng & Thia; Nuriddenova; Shengelbayev; Shaimergenov; Bektemirov
Infrastructure financing deficit, including private finance	Alexander; Zheng & Thia

Developing world frustrated with MDB voting shares, AIIB dominated by developing countries	Alexander; Zheng & Thia
Global risk of US withdrawing from MDBs (Trump era)	Zheng & Thia
AIIB addressed countries nervous of borrowing directly from China	Zheng & Thia
MDB imposition of high normative standards, including political conditions	Zheng & Thia; Hofman
Chinese finance often exaggerated; still not as dominant as US, EU finance in many locations	Neafie
Governance, standards and practices in multilateral financing	Alexander
Health and sustainability financing deficits	Alexander

Technology paradox

Digital security one of great vulnerabilities (on all sides)	Gregory; Hemmings
Risk to China of interdependence in tech drove need to influence standards, markets	Hemmings
Problematical Huawei involvement in Xinjiang	Dempsey
Values divergence on tech values, norms and standards but also points of convergence, which the EU as norm shaper will engage with	EU official; Lewis
Values divergence between surveillance capitalism and surveillance state	Lewis
Connectivity is disruptive (at the same time as bringing benefits)	Lewis
Values frame creates a dilemma for cooperation with Chinese actors	Dempsey; Friedmann
Lack of rules will lead to splintering	Lewis; Gregory
Rules may not work	Hemmings; Gregory
Importance of national capabilities, governance, rules, partners	Lewis; Lacey; Gregory; Bánhidi
Critical infrastructure (discounted, if national capabilities)	Gregory; Bánhidi
Country of origin problematised as national security threat, rather than tech evidence	Herd; Friedmann; Chen Liang; Chen Feiyun
Supply chain impacts to third parties of US sanctions	Herd
Reputational damage cooperating with Huawei	Dempsey
Telecommunications 100% geopolitical, firms include security staff	Kumarsingh

Huawei legal advice on application of Chinese legislation to its international reputation	Lacey
Risk is ever present, but engineering solutions will never build trust	Mika; Lacey; Hemmings; Bánhidi
Loss of credibility of experts, fear of speaking out	Mika
China has strong capabilities in cyber, along with handful of countries including US, Israel and Iran (need to be supplier agnostic)	Lacey
Precedent set by US action against Huawei	Mika
Security risks to critical infrastructure, impossible to identify backdoors	Kumarsingh; Hofman
US pressure on allies to take a geopolitical approach against China	Dempsey; Herd; Friedmann; Stepper
Impossible for a single country to solve cybersecurity risk, weakest link will be the problem if not global cooperation	Mika
Capacity constraints for independent risk assessment and risk management	Hofman; Ng; Hasmath
Chinese growing tech leadership encourages US to slow its progress	Kumarsingh; Herd; Friedmann
Semiconductor sanctions challenge to Chinese firms and driving Chinese self-sufficiency push	Wu; Ge & Toleubayeva
Undermining of global rules, such as WTO and ITU	Hofman; Mika
Huawei creating unnecessarily complex customer profiles and moving data to China for network support when not available domestically	Kumarsingh
Larger states do have capabilities to manage cyber-risks	Bánhidi
Importance of diversity of suppliers for resilience of cybersecurity	Bánhidi
Smaller states will bandwagon on tech bans to win benefits from US	Stepper
Concern about Chinese influence in smart city projects	Stepper
Technology, including AI, can transform environmental protection	Chen Feiyun

Myanmar's perfect storm

Militarisation of BRI assets in Myanmar/securitisation of assets (would be opposed by all, including military, only in worst-case)	Gong; Myanmar activist; Myanmar business leader; Myanmar academic
China not first choice of Myanmar to develop Kyaukphyu	Myanmar academic

Lack of social benefit to people of Myanmar from Kyaukphyu project, risks of land grabs, corruption, human rights violations, repression	Apthorp; Gong; Myanmar activist; Myanmar business leader; Zhang; Myanmar academics
Local discrimination against Rohingya	Myanmar activist
Lack of economic benefit to Myanmar from Kyaukphyu project as major manufacturing would need direct inputs	Apthorp
Myanmar customs regulations stifle hub potential	Apthorp
Not so much China influence as China soft power push, such as Xi visit soon after 2 nd BRI Forum (height of Covid, single visit) to highlight positive intentions in Myanmar	Myanmar academics
Complex Chinese engagement with conflict-prone border regions	Myanmar academics
Community anti-China sentiment, and risk of involvement in internal ethnic conflict	Gong; Zhang; Myanmar academic
Finance diversification challenge for Myanmar	Gong, Oung
Sanctions pushing Myanmar closer to China/ Only democracy will restore Myanmar's capacity to balance	Myanmar activist

Appendix 3: Expert mailing lists utilised to monitor contemporary discourse

Asia Global Online. Asia Global Institute. <https://www.asiaglobalonline.hku.hk>

Axios China. Axios. <https://www.axios.com/world/china>

Beijing Baselines <https://beijingbaselines.substack.com>

Beijing to Canberra and back. https://beijing2canberra.substack.com/p/australias-shifting-statements-on?utm_source=email

CEEAsia Briefing. Central European Institute of Asian Studies. <https://ceias.eu/ceeasia/>

CHERN. China in Europe Research Network. <https://china-in-europe.net/about/>

China in Eurasia. *Radio Free Europe/Radio Liberty* <https://www.rferl.org/China-In-Eurasia>

China Macro Reporter. China Debate. <https://www.chinadebate.com>

China Weekly, by the China Project <https://us11.campaign-archive.com/?e=71bb20a230&u=05fc7fc9529b01bb9bd1abfa7&id=618d09cae1>

Diplomat Risk Intelligence. *Diplomat* media. <https://dri.thediplomat.com>

East Asia Institute. E-Newsletter. https://www.eai.or.kr/new/en/news/notice.asp?board=eng_englishletter

Foreign Policy China Brief. <https://foreignpolicy.com/category/china-brief/>

Foreign Policy Research Institute. China Center. <https://www.fpri.org/research/china-center/>

Frontier Fridays. *Frontier Myanmar*. <https://www.frontiermyanmar.net/en/>

The Gateway by David Thomas. Asiable. https://www.asiable.com.au/?utm_source=Newsletter&utm_medium=email&utm_content=Diplomatic%20Tightrope&utm_campaign=The%20Gateway%3A%20Issue%209

Green Finance and Development Center, Fudan University <https://greenfdc.org>

Here Comes China. <https://www.herecomeschina.com>

Hinrich Thought Leadership. Hinrich Foundation. <https://www.hinrichfoundation.com>

Interconnected. <https://interconnected.blog>

Jane's IntelTrak Belt & Road Monitor (previously known as RWR Advisory Group Belt & Road Monitor). https://www.rwradvisory.com/belt-and-road-monitor-backup/?utm_campaign=IntelTrak&utm_medium=email&hsmi=223393827&hsenc=

p2ANqtz-9LvU1b9Wmk5Zx3faiGMceO2utRj8azV2VXjWw4mqTA3rfc5o9gzadHPFRUdUn_bGYHQpwPSvo29tHpWcsTpo6fK6FyNNJQ8vnIqx9OdzJpvQKMNUU&utm_content=223393827&utm_source=hs_email

Macro Polo. Paulson Institute. https://macropolo.org/about/get-our-stuff/?utm_source=MacroPolo&utm_campaign=a949738415-EMAIL_CAMPAIGN_2018_11_27_04_41_COPY_02&utm_medium=email&utm_term=0_791224187b-a949738415-175684716

Made in China Journal. Australian Centre on China in the World. <https://www.madeinchinajournal.com>

MERICs EU-China Weekly Review. <https://merics.org/en>

Mundus. China in the world as seen from Europe. Bruegel. <https://mailchi.mp/bruegel/china-newsletter-09022022?e=e89225a773>

National Bureau of Asian Research. <https://www.nbr.org>

Protocol China. <https://www.protocol.com/newsletters/protocol-china/chinese-social-media-social-force>

Reading the China Dream Update. <https://static-promote.weebly.com/share/245a2cef-1502-4d10-ab82-731344885c2f>

Sinocism. <https://sinocism.com>

Technode. <https://mailchi.mp/technode/briefing-2-feb-681958?e=fa14a65c9b>

Watching China in Europe. German Marshall Fund. [https://sites-gmf.vuturevx.com/61/6509/january-2022/watching-china-in-europe-with-noah-barkin\(1\).asp?sid=b6967abf-7b7a-4a45-9a37-7cfa9acbb79](https://sites-gmf.vuturevx.com/61/6509/january-2022/watching-china-in-europe-with-noah-barkin(1).asp?sid=b6967abf-7b7a-4a45-9a37-7cfa9acbb79)

Zhonghua Mundus, Bruegel <https://mailchi.mp/92448ff21d57/bruegel-china-newsletter-november-2021?e=e89225a773>

Appendix 4: Conferences, webinars and seminars, 2019-2022

2019

January 16: Chinese Academy of Social Sciences seminar on The Belt and Road, Beijing (presented paper on The Belt and Road Initiative: Managing Political Risks, Realizing Opportunities)

January 17: Liaocheng University Research Centre for Pacific Island Countries seminar on China and the Pacific Islands, Liaocheng (presented paper on China and the Pacific Islands)

January 18: Sun Yat Sen University National Centre for Oceania Studies seminar on China and the Pacific Islands, Guangzhou (presented paper with Shen Yujia on Papua New Guinea and the Belt and Road Initiative)

January 31: Papua New Guinea Business Council Annual Prime Minister's Back to Business Breakfast (spoke on Beyond APEC: Sustainable Development)

March 27: UNESCAP Sustainable Development Forum high-level roundtable on Asia Pacific Sustainable Development Goals, Bangkok (spoke on SDG 10: Reduce Inequalities)

April 5: Antall József Knowledge Centre Think BDPST conference on Regional Innovation, Várkert bazár, Budapest

May 2-3: Oriental Business and Innovation Center, Budapest Business School, conference on The V4 in East Asia and East Asia in the V4 (spoke on Political Risks on the Belt and Road)

May 10: Economies of the Balkan and Eastern European Countries conference on The Economies of the Balkan and the Eastern European Countries in the Changing World, Bucharest University of Economic Studies, Bucharest (spoke on Political Risks on the Belt and Road)

May 14: Corvinus University of Budapest Research forum, Budapest

May 16: University of Applied Sciences BFI Vienna symposium on How to Seize Business Opportunities in Emerging Markets (spoke on China and the Belt and Road)

May 24: Danube Institute seminar on 5G, Budapest

May 31: International Relations Multidisciplinary Doctoral School, Corvinus University of Budapest conference, House of Wisdom, Budapest (presented paper on Political Risks on the Belt and Road)

June 20-21: UNESCAP Asia Pacific Business Forum, APEC Haus, Port Moresby (chaired conference and moderated panel on Asia Pacific Infrastructure)

July 5: Sino-International Entrepreneurs Federation conference, Baoding (spoke on International Cooperation for Sustainable Development)

July 8: Australian Studies Centre, Yonsei University, Seoul (spoke on Australia, China and the Pacific)

September 6: China-CEE Institute/PAIGEO conference on China-CEE, House of Wisdom, Budapest (spoke on Political Risks on the Belt and Road)

September 13: Hungarian National Bank Open to East forum, House of Wisdom, Budapest

September 23: Institute of Foreign Affairs and Trade conference on China

October 1: Chinese Globalization Association China Goes Global conference, Orlando (spoke on Political Risks on the Belt and Road)

November 11: European Union Chamber of Commerce in China seminar on China's Social Credit System, Hilton Hotel, Beijing

November 19: American Chamber of Commerce in China, Shanghai (spoke on Political Risks on the Belt and Road)

November 21: Sun Yat Sen University National Centre for Oceania Studies seminar launching the Blue Book of Oceania: China's relations with a changing outside world, Guangzhou (spoke on the Belt and Road and the Pacific)

November 24-25: Horasis Asia conference, Binh Duong New City, Vietnam (spoke on Re-Globalizing Trade)

December 9-10: Corvinus University of Budapest Research forum, Budapest (presented paper on Political Risks on the Belt and Road)

2020

February 25-26: Institute for Foreign Affairs and Trade seminar on Strategic Challenges and Japan's Changing Geopolitical Stand in the Pacific Basin, Budapest (spoke on global connectivity: the rising role of Asia)

May 7-8: Palacky University, Olomouc, workshop on Chinese Foreign Policy and the Developing World (online, spoke on risks on the Belt and Road)

May 11: Kingsley Strategic Institute for Asia Pacific webinar on One World: Strengthening Multilateralism (online)

May 14: Corvinus University of Budapest Institute of International Studies conference on Political Determinants of Health, with Special Regard to the Relationship between Health and Economic Security (online, spoke on China, Covid-19 and International Order)

May 29: Institute for Cultural Relations Policy webinar (spoke on Post-Covid-19 International Order)

July 27: Center for Global and Strategic Studies webinar on China's Quest for Peaceful Coexistence and Mutual Development (online)

August 3: East Asia Institute webinar on Political Transition and its Moving Forward: Challenges and Lessons for Myanmar (online)

August 6: Chinese Globalization Association China Goes Global conference (online)

August 31: UNESCAP 2nd Regional Conversation Series on Building Back Better: Financing for Development in the Era of Covid-19 and Beyond webinar (online)

September 1: United Nations Association of China/Chinese People's Institute of Foreign Affairs webinar on the 75th Anniversary of the United Nations: Strengthening Multilateralism for a Better Future (online)

September 4: UNESCAP/SONKA Fifth North and Central Asian Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals (online, spoke on strengthening supply chains and connectivity)

September 8: Asia Global Institute/Asia Global Fellow webinar on Colliding Interests in Eurasia (online)

September 11: Foreign Policy Research Institute webinar Will all Roads Lead to China? Interview between Robert Kaplan and Parag Khanna (online)

September 16: University Institute of Lisbon webinar on Qualitative Cost-Benefit Analysis of the Maritime Belt and Road Initiative (online)

September 18: UNESCAP Transformative Futures workshop: pathways to a green, resilient and more equal Asia Pacific: Sohail Inayatullah, UNESCO Chair for Futures (online participant)

September 23: National Bureau of Asian Research webinar on China's Vision for a New World Order: in theory and practice (online)

September 25: UNESCAP Regional Conversation on Resilient Supply Chains and Connectivity for Asia Pacific (online)

October 9: Corvinus Society for Foreign Affairs and Culture on Transatlantic Relations Beyond NATO and the Three Seas Initiative (online)

October 19: Three Seas Initiative Summit (online)

October 27: Hungarian National Bank Eurasia Forum (online)

October 31: UNESCAP Asia Pacific Business Forum (online, spoke on Sustainable Trade and Development in Asia Pacific)

November 4: Szent Ignatius Jesuit College for Advance Studies (online, gave lecture on the US-China Trade War)

November 13: Chinese Globalization Association Huawei Goes Global forum (online)

December 2: UNESCAP High-Level Forum on Transport Connectivity (online)

December 10: Foreign Policy Research Institute/Oxus Society webinar on Governance Effects of China on Central Asia (online)

December 11: Corvinus University of Budapest Institute for Political Science at the Centre for Social Sciences Doctoral conference (online, spoke to paper on Myanmar political risks)

December 12: Institute for Cultural Relations Policy SESCO conference (online, spoke on Shifting World Order)

December 21: Kingsley Strategic Institute for the Asia Pacific World Chinese Economic Summit (online, spoke on Digital Silk Road)

2021

January 12: UNESCAP ARTNet webinar on Resetting Multilateral and Regional Cooperation for Sustainable Trade (online)

January 12: Maastricht University Jean Monnet lecture by Marietje Schaake, MEP on Unaccountable: how technology companies erode democratic governance (online)

January 19: Blair Institute for Global Change webinar on Post-2020 Tech

February 24: China Matters inaugural Rethinking China lecture by Bill Birtles (online)

February 25-26: Fletcher School Political Risk conference (online)

March 11: Foreign Policy Research Institute webinar on Jacques Delisle's One Belt One Road: Chinese power meets the world (online)

March 29: Hong Kong Foreign Correspondents' Club webinar on Belt and Road at a Crossroads (online)

March 30: Paulson Institute webinar on Big Tech/Green Tech in China (online)

April 12-14: Huawei Global Analysts Summit (online)

April 15: Institute for Euro-Asian Studies (online guest lecture on the Belt and Road)

May 6-7: Oriental Business and Innovation Center, Budapest Business School, Megatrends in Asia: Digitalization: Security and Foreign Policy Implications conference, Budapest (online, spoke on cyber-risks)

May 27: 3rd Corvinus University of Budapest PhD conference of the Doctoral School of International Relations and Political Science (online)

June 2: National Bureau of Asian Research webinar on China's Ambitions and Security Implications (online)

June 9: Opening Ceremony Huawei Global Cyber Security and Privacy Protection Transparency Center, Dongguan, China (online)

June 18: CHERN-DPC workshop on Digital Power China (online)

June 28: Lau China Institute, Kings College London, webinar on How Red China Goes Green (online)

June 28 – July 2: EUCON Erasmus + Jean Monnet Research Network Summer School (online, spoke on China and shifting world order)

July 19: IIPP, UCL, webinar on Governing Digital Platforms in Middle Income Countries: Simon Roberts, University of Johannesburg (online)

July 23: Chinese Globalization Association webinar on The New Chinese Dream: Industrial Transition in the Post-Pandemic (online)

August 24 – 28: International Convention of Asian Scholars conference (online, spoke on Myanmar political risks)

October 14: Antall József Knowledge Centre Think BDPST conference, Kempinski Hotel, Budapest

October 18-19: Centre for China and Globalization: China Goes Global conference (online)

October 20: TRT World Forum: Power and Paradox: Understanding Grand Strategy in the 21st Century (online)

November 10: CEE Institute Lecture on China Europe relations, Feng Zhongping, Director General of Institute of European Studies, CASS, President China-CEE Institute (online)

November 10: Global Drucker Forum: Digital Trust panel (online)

November 18-19: Global Drucker Forum: The Human Imperative. Hilton Stadtpark, Vienna.

November 27: Lecture on How the EU and China can compete and cooperate for a green future, Janka Oertel, Director of the Asia Programme of the European Council on Foreign Relations (online)

December 6-10: UN Internet Governance Forum (online)

2022

March 11: National Bureau of Asian Research webinar on Identifying and Countering China's Global Digital Strategy (online)

March 29 – 30: Darwin’s Circle, including Tech for a Green World side event sponsored by Huawei, Hotel So, Vienna (spoke on panel about digital risks and opportunities)

March 30: War in Ukraine and its consequences seminar, Vienna Diplomatic Academy

March 31: UNESCAP Asia Pacific Forum on Sustainable Development side event (online, chaired and spoke in session on green and digital transformation)

April 25: Institute of Foreign Affairs and Trade seminar on Incomplete Transitions in Eurasia, Marriott Hotel, Budapest (spoke on panel on Indo Pacific security landscape and consequences for economic security)

April 27: Huawei Global Analysts Summit panel on 5G-Advanced, Building a 5Giverse and 5Green Society (online)

May 19: Bruegel webinar on Three Data Realms: managing the divergence between the EU, the US and China in the digital sphere (online)

May 31: Kingsley Strategic Institute for Asia Pacific Asia Economic and Entrepreneurship Summit: The Great Reset – Asia megatrends and opportunities post-Covid, Berjaya Times Square Hotel, Kuala Lumpur (spoke on panel on New Growth Drivers for Asia – digitalization and green economy)

June 29 – July 1: Council of European Studies Conference of Europeanists: the environment of democracy, Instituto Universitario de Lisboa, Lisbon (spoke on panel on Political Risk in Age of Populism with Katalin Nádás-Nagy)

July 22: All-China Youth Federation World Youth Development Forum (online, keynote speech and panel discussion on opportunities in the new economy)

August 25: Asia Pacific COP27 Forum on Catalyzing Climate Finance and Investment Flows to Ramp Up Climate Action and Advance the SDGs, UN Conference Centre, Bangkok

August 26: UNESCAP Asia Pacific Business Forum, UN Conference Centre, Bangkok (spoke on Asia Pacific Green Deal for Business: aligning business action and innovation in support of sustainable development)

August 31: Kevin Rudd’s Future China Lecture on The Avoidable War, Mercator Institute for China Studies (online)

September 5-9: EUCON Jean Monnet Research Network Eurasian Summer School (co-hosted and lectured with Tamás Matura), Corvinus University of Budapest

September 9: Risky Business? China in Hungary conference, Central and Eastern European Center for Asian Studies, Corvinus University of Budapest

September 15: Sustainability Forum 2022 on Global Disclosure Standard for Sustainability: Assessing progress and implications for Asia, Asian Infrastructure Investment Bank / London Business School / School of Economics and Management, Tsinghua University (online)

September 19: Eurasia Forum 2022, Hungarian National Bank, Budapest

September 27: Huawei European Innovation Day 2022, Várkert Bazár, Budapest (spoke on panel on Tech for creative solutions to preserve biodiversity panel)

October 6-7: UNESCAP Sixth North and Central Asian Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals. Grand Tien Shan Hotel, Almaty (spoke on panel on Industry, Innovation and Infrastructure and the SDGs)

November 3: China Development Institute/Bank of China Hong Kong Financial Research Institute webinar on APEC: The Role of Asian Countries in Addressing Economic Recovery (online, spoke on interdependence, Asian open regionalism and geopolitical and geo-economic trends)

November 3: Darwin's Circle conference on Digitalization, Palais Ferstel, Vienna

November 15: Hungarian Arbitration Association/European Chinese Arbitrators Association conference: Walking the New Silk Road: EU-China economic-legal relations and dispute settlement in context, Mathias Corvinus Collegium, Budapest (spoke on panel on the BRI)

December 2-3: China-Eurasia Council for Political and Strategic Research IV Eurasian Research on Modern China and Eurasia Conference, Holiday Inn, Yerevan (gave keynote speech and moderated panel on China and Russia in Southeast Asia: Cooperation and Disputes between Global and Regional Powers)

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