A New Era of Risk

Why We Need a New, Sustainable Internationalism to Manage the Rise of China

By

David Morris

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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
CITIC	China International Trust Investment Corporation
COP26	26th Council of the Parties to the UN Framework Convention on Climate Change
CPTPP	Comprehensive and Progressive Trans-Pacific Partnership
CSTO	Collective Security Treaty Organization
EBRD	European Bank for Reconstruction and Development
EaDB	Eurasian Development Bank
EEU	Eurasian Economic Union
EIB	European Investment Bank
ESCAP	Economic and Social Commission for Asia and the Pacific
ESG	Economic, Social and Governance
UN	United Nations
EU	European Union
EXIM	China Export Import Bank
GCF	Green Climate Fund
GDP	Gross Domestic Product
GDPR	EU General Data Protection Regulation

GNI	Gross National Income
IDA	International Development Association
IDB	Inter-American Development Bank
IEC	International Electrotechnical Commission
IMF	International Monetary Fund
IPCC	UN Intergovernmental Panel on Climate Change
ISO	International Standardization Organization
ITU	International Telecommunications Union
MDB	Multilateral Development Bank
NATO	North Atlantic Treaty Organization
NDB	New Development Bank
NDRC	China National Development and Reform Commission
NIS	Network and Information Systems
NLD	Myanmar National League for Democracy
O-RAN	Open Radio Access Networks
PLAN	Chinese People's Liberation Army Navy
RAN	Radio Access Network
RCEP	Regional Comprehensive Economic Partnership
RMB	Chinese Renminbi
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
5G	Fifth Generation wireless telecommunications networks

Preface

The sky is changing. Nobody really knows how the international order, business environment and everyday life will evolve after the seismic disruptions underway in the 2020s. Risk has become the new normal. After nearly four decades as a practitioner either in international relations or in politics, including in particular more than three decades of professional interaction with China, this book has been a long time coming. I hope it will be of some practical value and might point to the need for some fresh thinking about how we can manage risks, understand each other better and find a way towards a more sustainable internationalism. I will explain what I mean by that later. First, some personal reflections in these introductory remarks are required to provide full disclosure, so that the reader can assess my personal experiences and perspectives that no doubt influence the chapters that follow.

Conscious of the likelihood that my personal experiences and perspectives might unduly influence the doctoral research that underpins this work, I deliberately travelled as far away from the overwhelming, normative China discourse that had emerged in my home country of Australia, and as far away as I could from China, to write this in the centre of Europe. I have avoided in this work – apart from the occasional relevant reference – matters in which I was myself a participant, such as Australia-China relations, and Pacific islands-China relations. Bias is inherently difficult to purge from any kind of research because it is often, axiomatically, unconscious. 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 that 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 sometimes jumping out of our own comfort zone and walking in another's shoes.

Returning to Hungary, as my base for the research that underpins this book, after three decades since my first stint there as a young Austral-

ian 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 I was sceptical that the transition to liberal democracy and marketization 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 as I have lived at various times in Europe, China, the United States (US) and of course Australia 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 organizations 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 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 from my first sojourn in Budapest, back to headquarters in 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 evocatively 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 and must 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 often-overlooked 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, and it was much closer to home for me as an Australian than culturally dominant but distant Britain and America. Then at the turn of the century after those Hong Kong sweat shops moved across the border (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 acknowledged, 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 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 this book, it certainly seems those warnings have come to pass, with recent Australian governments demonstratively having chosen sides, following the seismic shock of the first Trump presidency 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 in the Covid-19 era. 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, while deepening its strategic relationship with the US. It seems it is possible to walk and chew gum at the same time.

Grand strategic debates about "sides" in a new Cold War appear for now to have a firm grip on popular narrative, yet at a level of abstraction distant from real people, relationships, networks, businesses and organizations 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 (for most) in Central Europe since 1989 or the China-fuelled surge in wealth (for some) in Australia. The life changes in Asia have constituted 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 realized 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 framed 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 than China-Pacific Islands relations. They were dealing with a rapidly collapsing bilateral relationship. I didn't fully appreciate what had changed until 2017. In that year, 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 prepos-
terous to me to think China would pose any threat to one of its most impor-
tant 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 inte-
gration with Asia, an initiative fully supported by island leaders (although
with some misgivings about the People's Republic of China amongst those
island countries that recognized Taiwan). All of my recommendations,
carefully developed in full consultation with experts and stakeholders
across the Pacific including Australia, were adopted by the Pacific lead-
ers but trenchantly resisted by one speaker, a person I assumed to be a
mid-level public servant from Australia due to her faltering, barely coher-
ent 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 inter-
est. Europeans and Japanese had come to invade, the US (and French) had
colonized 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 recognize Taiwan. As Australia's relations with China and with its Pacific island neighbours spiralled downwards, I found myself doubting the motivations as well as tactics 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 of those years, fragile as it was on a slim majority, was focused on whipping up fear of an external enemy and demonizing 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. 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 recognize 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 research that informs the chapters to follow.

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 some 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 research that underpins this book 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 "habits of dialogue" that sustain 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 had a hypothesis at the outset, it was something along the lines that, for practitioners of international relations, 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 hundred or so interviews, on which my original research was 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 from a mix of offline and online interviews and trust that what I have been able to collect and analyse contributes something unique.

Chapter 1

Why we need a new, sustainable internationalism

The sky is changing. We appear to be in a perfect storm of seismic shifts in the international order, in geopolitics and the world economy, at the same time as transformational changes in technology and an unfolding climate crisis. China is at the centre of each of these major challenges. In those parts of the world that are beginning to frame China as a rival, there is a deep pessimism about a return to a bipolar world order, but given the uncertainties about the new risks, are there alternative strategies to confrontation and conflict?

How we frame and respond to world challenges changes with each generation and indeed today's certainties and strategies may look quite different, when we look back in another decade or two. When the Cold War ended, optimism took hold in many parts of the world. No longer were we gripped by the existential threat of two rival powers clashing; no longer was the world divided between two rival economic systems. It appeared for a short time that the growth promise from globalization might offer an unprecedented opportunity for a rising tide to lift all the boats. It even seemed possible that diverse nations – large and small, with different cultures, politics and economics – might find common ground in tackling new global challenges from peacekeeping to climate change. That a great new project of sustainable development could replace the old great game of geopolitical contest. In the 1990s to 2010s hundreds of millions of people were lifted from poverty and life opportunities transformed, especially in Asia.

Yet in the 2020s we are in a great retreat into pessimism, fear and blame, fuelled by the old tricks of populism and ethno-nationalism that have traditionally foreshadowed conflict and destruction of civilized societies everywhere. Cultures, politics and economics are imagined to be zero-sum again, pitting nations and communities against each other. The international system is splintering, and confrontation is replacing cooperation as the new normal. We appear to be hurtling towards a new Cold War, or worse.

Cynics claim all of this is inevitable, that big powers will inevitably clash, that there is only room on the mountain for one tiger. Yet the world is a smaller place than ever and there is an increasing number of tigers.

Might humans, as opposed to tigers, generate the intelligence to avoid falling back into the trap of conflict? Might we develop strategies for shared success rather than beggar-thy-neighbour, a recipe for failure? Could we forget the pessimism of the present as quickly as we seem to have forgotten the promise of the post-Cold War world?

With the rise of China, India, Indonesia and other emerging economies in what used to be called the developing world, these questions hinge on whether diversity can co-exist in competition without conflict. Given the uncertainty and complexity of changes underway in the international system, are there scenarios in which a new interdependence can be made sustainable? Can a multipolar world can be made to work? These are deeply unfashionable questions, but need to be asked, regardless.

By definition, a sustainable internationalism would mean an approach to international relations that does not collapse into conflict, that would provide the basis for realist competition between nations but also necessary international cooperation against collective challenges such as climate change. A new, sustainable internationalism would need to tolerate and indeed be committed to diversity, rather than an idealist expectation that one world view can prevail over all others, indeed instead of a chauvinistic view that one world view should prevail. It might require a new realism based on evidence rather than grand theory that imagines the world's vast complexity can be reduced to a chessboard of black and white. That means a shift in mindset. It may yet require new institutions, rules and norms, all of which will be threatening to vested interests.

The future role of China in the world is one of the central questions upon which many other important global questions depend. As a starkly different political, economic and social system from the status quo powers, does China's rise signal inevitable confrontation and conflict or can diverse nations find a sustainable way forward that is interdependent with China? What are the risks? How can they be managed? What are the opportuni-

ties? What are our mindset obstacles that might need to be tackled to devise alternatives to disaster?

What follows is an earnest attempt to consider as objectively as possible these questions of how we strategically manage interdependence with China in future. No human has yet been able to accurately predict the future, so rather than pretend to have answers, this is an attempt to identify likely risks and opportunities and to map out some possible scenarios. By examining the evidence in some representative case studies, hopefully this exploration is of value to decision-makers and those who find themselves – willingly or unwillingly – interdependent with China and who are looking for ways to manage the risks ahead.

China, for its part, is busy preparing to manage its own risks, developing new forms of interdependence with the developing world, constructing new trans-regional institutions, platforms and projects. Its Belt and Road Initiative (BRI) is one over-arching geo-economic framework that ambitiously seeks to shape the international environment. Chinese leaders represent their international activism as a contribution to global governance and development, simultaneously pursuing the interests of China as a rising power, as well as "win–win" outcomes for their partners. The response of the US and some of its allies to China's new interdependence projects, however, has been to adopt a new geopolitical competition, suspicious of China's international actions as destabilizing to world order.

Yet how the world adapts to a rising China and indeed how a rising China will act remain uncertain. We are in the early stages of this change in world order and there are many scenarios for how we might navigate the years ahead.

In recent years there has been a premium on zero-sum, binary geopolitical thinking that tends to catastrophize risks, constructing each point of connectivity with China as a security threat. The geopolitical contest is degenerating rapidly. Meanwhile, positive-sum geo-economic interdependence thinking, that was the hallmark of the globalization era since the end of the Cold War, is increasingly rejected as having underestimated risks and created vulnerabilities. The new narrative emanating from traditional powers depicts even Chinese electric vehicles and solar panels as threats.

Both of these simplistic geopolitical and the geo-economic approaches taken by commentators and scholars alike create paradoxes for actors in the real world. Most of us are seeking to benefit from and manage risks and opportunities of interdependence with both China and the US. We therefore need grounded understanding of what is going on, developed from a close investigation of dynamics across the diversity of China's points of connectivity with the international system.

For this reason, the chapters that follow take a "political risk" approach to examining the evidence, rather than the more common "normative" approach that all things emanating from China are either good or bad. The research that was undertaken for this book was rooted in empirical observation by a wide range of actors and stakeholders of processes underway during a period of transformation in the international system and their own assessments of risks and opportunities. Because of the high level of uncertainty in this evolving international system, and instead of relying on assumptions that one "side" will generate all the risks, a normatively sceptical framework is developed to assess risks and opportunities, which will be introduced later.

Political risk

In taking a political risk approach, we seek to observe how international actors view dynamic circumstances and develop proportionate risk management strategies, to avoid threats, to minimize vulnerabilities and to position themselves to maximize opportunities, according to their own circumstances and goals.

Scepticism of theory is not unique to this author, but is commonly found amongst businesspeople, diplomats and others active on the ground in the changing international environment. Today's problem of a shifting world order is that theories developed to describe earlier international systems may make snappy headlines but may not fit the new conditions.

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 in China's interactions with the world. In this environment of rapid change, it appears 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). Institutions, rules and norms do not always develop in a straight line. 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. We just don't know yet how a multipolar world will play out.

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 dogmatic geopolitical threat narrative, which is 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 was therefore 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 in the last decade, 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, securitized, binary choice to either *submit* to Chinese power or *decouple*. Neither appears realistic. No state power and few international organizations or multinational businesses can be expected to

choose to submit to a new hegemony. Indeed, China remains significantly outweighed even in the Asian region 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 international relations literature. The interviews for this book were therefore largely with people at the coalface, stakeholders and actors managing or responding to actual, local, relevant and emerging issues at a time of duelling major power narratives and uncertainty.

Most nations have not defined China as a strategic competitor, as did Trump's US in 2017, 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. The political risk approach provides a useful framework of analysis to comprehend this complexity and uncertainty. It will not please those who prefer certainty and a simple division of the world into good and bad actors.

Beck's "risk society" recognized that the change and uncertainty inherent in modernity demands a methodology that can identify and address risks (Beck, 1992). Indeed, 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). Risk analysis is therefore likely to be a rich field for understanding how states and other actors are negotiating an uncertain, changing world.

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 generalized 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 literature and public media discussions about international relations. This is the reason for taking a political risk approach here, to probe the risks that lie between opportunities and threats that may, indeed, be mitigated with appropriate strategies, or which may escalate to become threats as a result of pursuing inappropriate strategies.

A political risk approach can help to understand how actors analyse, assess, forecast and subsequently manage risks of the next phase of globalization and the contemporary, deteriorating geopolitical environment. The approach 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 over decades, the author observes that political risk mirrors the kind of multidisciplinary, forward-looking analysis that governments (through their diplomatic and intelligence networks) and businesses (through their iterative scanning of the business environment and drawing upon expert advice) undertake to seek understanding in conditions of uncertainty, to develop strategic options to benefit from opportunities, and minimize losses by managing, mitigating or avoiding risks.

The value of scenario planning in understanding risks in the international system was underlined 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 coop-erate 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 conse-quences 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 "nega-tive 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 political risk research undertaken here of the BRI and other new forms of interdependence with China enters a new field. Conventional political risk analysis has tended to be based on assumptions that actors are inves-tors from the private sectors, governments or multilateral institutions head-quartered in the advanced economies and that risks can be assessed at the

country or project level. Traditional assumptions have included 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 rise of the developing world and the BRI itself turn these assumptions on their head, with actors headquartered in China and other developing countries in recent times taking a leading role in financing for development, investing in advanced and less-advanced economies alike. Such actors, state-owned enterprises and their partners, exhibit a different approach to risk, confident in a state-driven development model to deliver on balance positive economic (at least) outcomes, while these new actors in the international economy are simultaneously problematized as generating new risks themselves, such as exporting authoritarianism, or extending geopolitical power (Hillman, 2019).

Nevertheless, as we will see, there are risks also for Chinese actors from internationalization 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 problematized 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.

Geopolitical risk

There is a further factor that makes this political risk approach 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, and in which a win for one side was a loss for the other. 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. Rather than zero-sum analysis, the concept of geopolitical risk may need to be broadened to comprehend norm evolution in the international economy; security and governance challenges of transformational new technologies; and webs of disinformation and populist decision-making.

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.

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.

It is likely that there are risks (as well as opportunities and threats) in interdependence with China and 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. From a more empirical analysis of what, why and how new risks are emerging in the cases investigated in the chapters to follow, risk frameworks will be developed to demonstrate how actors who are interdependent with China might manage and mitigate risks. While the case studies are axiomatically contextual and it is difficult to generalize from selected cases to make conclusions that will hold in all circumstances, 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* generalizable risks and threats.

In the chapters below, after a big picture survey of the shifting world order, we will examine diverse examples of Chinese institution and platform-building, in international finance (the Asian Infrastructure Investment Bank), communications technology (Huawei) and infrastructure connectivity (Kyaukphyu port in Myanmar), as well as some key regions of Eurasia, the Caucasus, Central Asia and Mongolia.

In the first case study, the Asian Infrastructure Investment Bank (AIIB), is examined, as one important example 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 study 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 characterized 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 second case study is more complex, uncertain and ambiguous, representing neither a "best-case" nor 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 (SEZ) 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 local 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