

**THE IMPORTANCE OF ECONOMIC INFLUENCE:
ANALYSIS OF CHINA'S DEVELOPMENT & HOW TO COMBAT**

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Abstract

The influence of China in key regions of the world have proven problematic to the United States. Four main areas of Chinese influence can be observed that include infrastructure, banking, trade, and partnerships. China primarily uses these four core areas to focus their economic involvement and investment in developing countries. For the United States to respond appropriately, analyzation of the D.I.M.E. model must be completed. Focus will be placed on diplomatic and economic elements with specific recommendations for US response which comprise of growing current ally economies and diversifying the investment to allow new avenues of trade and cascading growth.

Beginning in the 19th century, the United States began to transition, from its isolationistic view, to a nation that intervenes outside its borders. These methods of intervention have included mostly war and economic development. Intervention began with the Barbary Wars in 1801-1815, expanded into global presence during World Wars I and II, and continues to this day with American intervention around the world, particularly the Middle East.¹ Once nation building has occurred, the United States has maintained an economic interest with those countries and created a semi-permanent military presence.² What has been more influential throughout the world, however, is the economic support the United States has given throughout the world. This investment created a network of many allies which is now the foundation of most American power projection abroad.

¹ Pike, John. "Military." Barbary Wars. <https://www.globalsecurity.org/military/ops/barbary.htm>.

² Vine, David. "Where in the World Is the U.S. Military?" POLITICO Magazine. <https://www.politico.com/magazine/story/2015/06/us-military-bases-around-the-world-119321/>.

American economic investment in China largely fueled the country's dramatic rise to global influence in the 21st century, and China has used America's model as a framework to develop its own influence. Mitigation of potential conflict between China and United States is paramount to further growth for both alike. To prepare, the United States must examine all tools within the D.I.M.E. (diplomatic, informational, military, economic) model. As China continues to push into countries through infrastructure, banking, trade and partnerships for the gain of influence in strategic regions, the United States must respond through diplomatic and economic means to match that of its adversary and remain the leading global power it is today.

Recognizing the influence afforded by soft-power economic investment, China has steadily and significantly increased their economic influence abroad since the early 2000s. Infrastructure efforts like the Belt and Road Initiative (BRI) that will see trillions of US dollars in foreign investment serve to boost China's global authority by forcing countries into debt that is occasionally repaid with strategic real estate. In addition, China's critical role in global manufacturing and trade render it invaluable to numerous economies. As China continues its economic expansion throughout Asia, Africa, and South America, it seeks to supplant US interests and American ability to project soft power in these regions

China's development of these relations can be seen in its influence in Central and South America. China's push into Central and South America increased in 2016 with attempts to invest in certain trade nodes, airports and land.³ One primary example of this is with the Chinese interest in the Salvadorian economy and the already sustained relationship with other authoritarian nations within the region. Due to authoritarian regimes being of like mind, China's ideals and influence accommodates needs that the United States cannot. "The decision by El

³ Farah, Douglas, and Caitlin Yates. *El Salvador's Recognition of the People's Republic of China: a Regional Context* Washington, D.C: National Defense University Press, 2019.

Salvador to recognize the PRC was taken in conjunction with Presidents Nicolás Maduro of Venezuela and Daniel Ortega of Nicaragua as both regimes are currently struggling to hold on to power. While Nicaragua still maintains diplomatic ties with Taiwan, the Ortega regime will likely switch as Nicaraguan ties with China continue to develop. Improving relations with China greatly increases these regimes' chances of survival by improving their economies.”⁴ Most concerning to the US is how much of China's involvement with El Salvador was done without any formal notification to the US. This tension strains the promotion of US ideals within the region potentially leading to a breakdown in communication and irreparable displacement of US influence. With the development of infrastructure within these nations, the potential for economic reliance on China grows, creating financial instability which China uses to benefit.

Once China's financial influence takes hold, many nations still are unable to reach desired amount of financial gain for their economy. When this happens, China uses this debt as pressure to receive other items in exchange as seen in land leases in Africa and surrounding nations. Specifically, China “essentially forced nations to convert debt owed to China to equity, buy and hire Chinese workers, adopt Chinese technical and engineering standards and procurement rules.”⁵ While China and the United States use these practices of subtle extortion, China greatly exceeds in comparison. China also plays a large role in the United States and its growing debt. The global growth of Chinese owned debt gives leverage to China to push for more influence in any region. With control of areas, like trading ports, shifting to Chinese control because China has forced debt to be converted, China is now able to affect imports and exports.

⁴ Ibid

⁵ “Rising Sharp Power: Authoritarian Regimes China and Russia Increasingly Manipulate, Bully and Distract to Advance Their Agendas in Democratic Nations” (2019).

Economic and political stability in a global economy is exceptionally difficult for many developing nations as they must rely on investment and resources from great powers like China in order to grow. The affordability of goods and the pricing within a nation's economic structure can be subject to any number of variables. Recently, China has demonstrated a willingness to penalize foreign companies for any actions that may seem counter to China's interests in a particular region. An example of this occurred in 2016-2017 with a South Korean chewing gum manufacturing and retail company. The company allowed portions of its land development to house South Korean THAAD batteries. This resulted in China restricting the access of its land development to house South Korean THAAD batteries. This resulted in China restricting the access of its domestic markets and a closure of the 112 South Korean retail stores (in China) that were reported to have fire code violations.⁶ These dependencies create the most immediate threat to nations involved and limit the partnerships available to the United States, especially in contested regions where the United States is unable to build relationships.

The development of the issues above show the grasp that China has throughout the world, one that only continues to grow. The reasoning behind these threats can be seen in the United States' motion to posture itself in a defensive nature and holding more isolationistic ideals like that of the "America First" policy which framework incorporates nationalism and non-interventionism. In conjunction with this American posturing, China has been promoting itself in all regions and creating influence in strategic areas. With the latest events in Afghanistan, China began asserting its influence in the Middle East. This area is of high interest due to its rich mineral deposit and possible development for the Belt and Road Initiative. To this end, China

⁶ Ibid

opened communications with the Taliban.⁷ This greatly puts the United States at a disadvantage due to the potential for China to garner even more influence throughout the region and reach across to Europe. The American power comes with the projection of its force through its allies. These allies are crucial to US ability to remain within specific regions beyond its borders. If the projection is no longer seen from the United States, allies and strategic regions may welcome Chinese influence to maintain a quota of stability. The United States can counter potential losses of power by considering which aspects of the D.I.M.E. model best fit for each scenario or region.

The D.I.M.E model includes areas from a macro viewpoint that can help nations interact and respond to situations appropriately with the understanding that each part can affect the other. It is understood that the economic element closely relies on the political element to enact changes needed because the consequences affect the nation as a whole. The informational regime can also be used in conjunction to target a desired audience within the nation and affect changes organically. The military element is the least optimal of these interactive tools because of the use of resources required and the response to force.⁸ The United States can use this model effectively when pursuing a positive outcome to the threats faced from China.

One option for the United States is to continue to maintain appropriate relations with dynamic allies and improve all aspects of their economy and defense mechanisms.⁹ The United States can use its diplomatic relationships with partner nations as foundation for negotiation but

⁷ Hass, Ryan. "How Will CHINA Seek to Profit from the Taliban's Takeover in Afghanistan." Brookings. Brookings, August 18, 2021. <https://www.brookings.edu/blog/order-from-chaos/2021/08/18/how-will-china-seek-to-profit-from-the-talibans-takeover-in-afghanistan/>.

⁸ Rodriguez, Cesar A., Walton, Timothy C., and Chu, Hyong. Putting the "FIL" into "DIME": Growing Joint Understanding of the Instruments of Power. (2020, April). <https://www.whs.mil/News/News-Display/Article/2133177/putting-the-fil-into-dime-growing-joint-understanding-of-the-instruments-of-pow/>

⁹ Brands, Hal. "DEALING WITH ALLIES IN DECLINE: ALLIANCE MANAGEMENT AND U.S. STRATEGY IN AN ERA OF GLOBAL POWER SHIFTS." Center for Strategic and Budgetary Assessments, 2017. https://csbaonline.org/uploads/documents/ALLIES_in_DECLINE_FINAL_b.pdf.

cannot let them become stagnant. Key allies to continue this input would be the nations in the North Atlantic Treaty Organization (NATO), Australia, Japan, South Korea, and Saudi Arabia. The locations of these nations are greatly needed for strategic development and further projection of US presence in their respective regions. To maintain diplomatic relationships and mitigate stagnancy, economic security must take place. This is where decision making can become convoluted, so analyzation of every detail is a must. Preserving current trade agreements is essential to help these ally nations grow their GDPs. Furthermore, additional investment from the United States can limit current adversaries' ability to control key regions.¹⁰

Another option for the United States is to diversify its allies and secure new avenues of trade for itself and partner nations. This will allow the US and its allies to strengthen GDP growth and create further stability within each of their economies. Diversity is desired because of the shifting balance of global power moving through regions that have been most prominent in the economic stagnation of large parts of Europe to include NATO nations.¹¹ African countries show promise since the majority of the continent is in lower levels of development and growing its infrastructure quickly. A figure used to comprehend the rate of progress can be seen in Africa's rate of internet and cell phone usage, which is double the rate of China's.¹² The United States must maintain the relationships it currently has by continuing investment in highly influential nations with regard to trade and nation stability or risk losing total guidance and power within Africa and any region that may mirror it.

¹⁰ Ibid, ii

¹¹ Ibid, 13

¹² Brands, Hal. "DEALING WITH ALLIES IN DECLINE ALLIANCE MANAGEMENT AND U.S. STRATEGY IN AN ERA OF GLOBAL POWER SHIFTS." Center for Strategic and Budgetary Assessments, 2017. https://csbaonline.org/uploads/documents/ALLIES_in_DECLINE_FINAL_b.pdf.

America will have to react to China's continued growth and influence if it wants to remain in good standing with the global community and to remain the most powerful country in the world. The United States cannot revert back to an isolationistic view of the world when so much of the influence involves that of allies and their economies. Since globalism has been the driving force for most every country on the planet, with America being the facilitator, the United States will have to remain involved in the development of ally nations, alongside new areas to promote the betterment of future economies and diplomatic relationships.

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