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**Article**

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## Covid-19, China and the future of global development

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### ABSTRACT

Tensions between the United States and China have been escalating in recent years, and the Covid-19 pandemic has intensified their competition. If sustained, China's more effective public health response and economic restart will bur- nish its leadership credentials in the field of global development. This article lays out the origins and distinctive fea- tures of China's development policies and vision, and argues that in a post-Covid world these may constitute an appealing alternative to the US-led development paradigm for many developing countries. We contrast the universal- ism and rigidity of contemporary development orthodoxy with China's emphasis on bilateral and pragmatic forms of development cooperation borne out of its domestic experience. While Chinese development assistance and loans en- hance its soft power, partner countries are offered significant autonomy and flexibility. We conclude by outlining three factors which may impact the future of Chinese leadership in the field of global development; a reconciliation of global financial governance and China's development lending, the outcome of the upcoming American presidential election and domestic discontent within China over the Belt and Road Initiative.

Beijing and Washington are engaged in a war of words over the prove- nance and spread of Covid-19 (Lynch and Gramer, 2020), and it is the latest front in what some commentators have called a new Cold War (Shea, 2019). In recent years China has emerged as a great power competitor to the United States, and their superpower rivalry is now playing out in the context of the global pandemic. Traditional development donors such as the US, UK and many European countries bungled their response to the pan- demic and they now lead the world in Covid-19 deaths and cases (Walt, 2020). The US response was so poor that Nobel Prize winning economist Joe Stiglitz said it resembles a so-called "Third World country" (Elliott, 2020), while the UK Government sparked outrage when it amended its con- fusing quarantine guidelines to accommodate the actions of one of the Prime Minister's aides (BBC, 2020). China's response to the crisis and its af- termath was effective by comparison.<sup>1</sup>

To recap events, Chinese authorities reported an outbreak of pneumo- nia cases of unknown origin in Wuhan to the World Health Organization on December 31, 2019. By January 7th Chinese officials had identified a novel coronavirus as the cause and its genetic sequence was shared with the WHO on January 12th (WHO, 2020a). By late-July China had reported 4659 Covid-19 related deaths to the WHO (2020b). The US Government and US-based researchers have charged that the actual number of deaths

in China is in the neighbourhood of 36,000 (He, Li, Dreher, and Dunn, 2020) and this controversy is unlikely to be resolved. What is indisputable, however, is that minor outbreaks in China have been contained and at the time of writing, life has returned to normal in most of China. Meanwhile, The US registered its first case of Covid-19 on January 20. By February 26 fifty-eight people had tested positive for the virus and Donald Trump as- sured the public that "you have 15 people [with Covid-19], and the 15 within a couple of days is going to be down to close to zero." Community transmission of Covid-19 accelerated in the US in March, and by the second week of April New York State had registered more cases of Covid-19 than any country. New infections levelled off for a brief period, but then accel- erated in July, particularly in southern and western states. By late-July Flor- ida was registering more new cases than any country on a daily basis.<sup>2</sup> As this article goes to print about 147,000 people have died as a result of Covid-19, and to put it in perspective, that's equivalent to nearly fifty Sep- tember 11 terror attacks and American casualties in 2.5 Vietnam Wars.

Animosity between the US and China intensified in the midst of the pan- demic. Trump began to refer to Covid-19 as a "Chinese virus" in March, while his aides called it the "kung flu." American and British officials have repeatedly charged that China inhibited a concerted global response by withholding important information about Covid-19. Meanwhile a narra- tive began to circulate widely in China that Covid-19 was brought there by members of the American military. This is not Beijing's official line, but it has been repeated by officials and media outlets close to the government

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<sup>1</sup> It is important to note that China is not the only country that responded effectively to limit the spread of Covid-19. For example, other commendable policy responses were implemented by governments in Vietnam, South Korea, the state government of Kerala.

<sup>2</sup> For data on Covid-19 in the US see: <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>

(Scarborough, 2020). Western media have also questioned the official version of events, such as a British tabloid that interrupted coverage of quarantined celebrities to report that Covid-19 may have leaked from a US-backed virus research laboratory in Wuhan (Mulraney and Owen, 2020). Not to be outdone, Trump countered that the novel coronavirus actually originated in a lab in Wuhan, although he claimed he could not share the evidence publicly (Sevastopulo and Manson, 2020). Tension escalated further when Washington closed the Chinese consulate in Houston, and in a tit-for-tat move Beijing closed the American consulate in Chengdu.

This dispute will not be settled in press briefings, diplomatic communiques or on social media. Instead, the narrative will fall into place in the wake of Covid-19's epidemiological curve. Covid-19 is sweeping across the US from coast to coast, and American leadership will be eroded if the death toll runs into the hundreds of thousands. A recent global survey confirmed that the vast majority of people around the world think that China's response to Covid-19 has been far more effective than the United States' (Wintour, 2020). If China manages to contain further outbreaks and restart its economy – which is by no means assured – its leadership credentials will be burnished, and the enhancement of Chinese leadership will be evident in the field of global development. In the remainder of this essay we explain why Covid-19 differs from the 2008 financial crisis in which similar predictions were made surrounding the inexorable rise of China. We then explain in brief the origins of the notion of 'development' in China and we explore the implications of Chinese leadership for the field of *global development*. This paradigm outlined by Horner and Hulme (2019) accounts for emergent patterns of wealth distribution and wellbeing in the 21st century, and the emphasis is on increasing inequality within countries while there is a convergence among countries. This leads to the rejection of "a clear spatial demarcation between First and Third Worlds, 'developed' and 'developing', or rich and poor, countries" (ibid., p. 349), in favour of the recognition of the global scope of civilizational challenges (e.g. global health pandemics and climate change). It is in this context that the world has taken note of China's response to Covid-19 and we conclude with future scenarios in which China's leadership is cemented, or challenged by a renewed *Pax Americana*.

### The Covid-19 crisis is different from the 2008 financial crisis

American foreign policy guru Henry Kissinger (2020) proclaimed that Covid-19 threatens to "set the world on fire" and it may ultimately upend the global order. Implicit is an assumption that China will replace, or at least challenge, American supremacy. In some sense, of course, we've been here before and predictions of China's unstoppable rise sound all too familiar. The 2008 financial crisis, with its origins on Wall Street, prompted a slew of obituaries for highly financialised US capitalism. The era of unrestricted capital flows and unregulated markets seemed a thing of the past as the world's economic and geopolitical centre of gravity appeared to move both East and South.

China emerged from the crisis relatively unscathed and of sufficient economic heft to play a central role in dragging the world economy out of the mire through a huge and decidedly non-neoliberal stimulus programme (Tooze, 2018). Although talk of China's global hegemony was premature at minimum, its sustained economic growth lifted hundreds of millions of people out of poverty. Crucially, China employed a pragmatic and eclectic mix of policies which ran counter to orthodox development policy promulgated by the likes of the World Bank and the International Monetary Fund.

One enduring impact of the 2008 crisis has been a gradual hollowing out of the neoliberal edifice. This did not turn out to be the simple return to Keynesianism which some predicted at the time, and the neoliberal 'zombie' shuffled on (Peck, 2010). But in much of the OECD, neoliberal ends are increasingly sustained via means antithetical to the paradigm's intellectual foundations (not least in juicing the stock market via quantitative easing). Many neoliberal regimes had previously fused corporate welfare with austerity for everyone else, but these practices became so apparent after 2008 that the sense of a coherent project with the potential to deliver broad-

based progress has been lost. Few now believe in neoliberalism's promises, and the missionary zeal with which these were pursued during the Reagan and Clinton eras now seems bizarrely anachronistic.

This disintegration of neoliberal ideology almost went unnoticed in the US because American hegemony remained unchallenged. Importantly, however, it was no longer sustained by faith in free markets and global economic integration, but by the expansive policies of the US Treasury and Federal Reserve under the resolute leadership of Barack Obama. Indeed, while the EU fumbled its response to the crisis, the US provided a host of central banks with dollars and maintained global liquidity. This decisive action at once prevented a financial collapse while simultaneously compounding the dysfunctions of global finance. The injection of massive amounts of liquidity into the world economy by the Fed (joined by the Banks of Japan, England and later the European Central Bank) encouraged a build-up of debt by corporations and individuals. Stock market bubbles were inflated and the financial sector's dislocation from the real economy deepened. That profound cleavage is one of the most important legacies of 2008. It is handily illustrated by the performance of the S&P 500 Index, which as of 8 June 2020 had made net gains over the year so far, despite a global pandemic and shutdown of activity in most major economies (Krugman, 2020; Winck, 2020).

This crisis differs from 2008 in three very important ways. First, the scale and scope of the impending economic crisis will require unprecedented state intervention that will be even more difficult to reconcile with neoliberal ideology. On this point *The Economist* (2020) and *New Left Review* (Brenner, 2020) are in agreement. We have already seen countries move to impose capital controls, bail out private corporations, roll out basic income grant schemes and expand social welfare programs. Some countries may have little choice but to nationalize failing companies and manage production of essential goods. Second, China was an engine of growth after the 2008 crisis but its global presence was modest in comparison to today. Since the announcement of its signature Belt and Road Initiative in 2013, China has ramped up its activity abroad and significantly enhanced its soft power. Finally, the US has scorned multilateralism under Donald Trump's banner of *America First*, and even long-time allies are weary of Washington's transactional diplomacy. Meanwhile, the murder of George Floyd at the hands of Minneapolis police officers unleashed pent up rage across the US that exposed deep rifts in American society (Cobb, 2020). The US Department of Homeland Security deployed troops to Portland, Oregon, and they have used unmarked vehicles and detained protestors without warrants (Green, 2020). The result is that the US Government faces a crisis of legitimacy at home and abroad, and its leadership has not been this tenuous in the post-war era.

The US will enjoy certain advantages as long as the dollar is the world's primary reserve currency. This is not necessarily apparent when times are good because managing the world's reserve currency does come with costs that can make it seem like a burden (Pettis, 2011). However, it affords the US tremendous agency in times of crisis because it can borrow vast sums at the very moment when other countries are trying to stem capital flight. Indeed, control over the world's common unit of account and largest asset class has emerged in this crisis as perhaps the main remaining weapon in the American hegemonic arsenal. No serious challenger to the dollar looks likely to emerge in the medium term, barring a complete collapse of world financial systems (in which case, all bets are off). While Chinese authorities are cautiously promoting Renminbi internationalisation, its current lack of convertibility means it has a great distance to travel before even entering the conversation as a possible global reserve currency. In 2009, then People's Bank of China Governor Zhou Xiaochuan called for IMF reform in order to position the Special Drawing Rights (SDRs) as a possible alternative to the dollar (Zhou, 2009). SDRs are based on a basket of five currencies and are issued by the IMF to member as a form of foreign exchange reserve asset. The IMF's control over the SDRs makes any use of it to undermine dollar hegemony highly unlikely so long as the US retains its veto at the Fund. Recently, for example, the US has scuppered an IMF plan to issue new SDRs to members, which was intended as a quick fix for countries' liquidity needs (Birdsall, 2020).

Instead, the US prefers to work directly, unilaterally and selectively in providing liquidity through the Fed. Favoured states have been granted dollar swap lines, while others are afforded much more limited assistance (Johnson, 2020). The choice to restrict assistance in this way is causing disquiet among those left out, including key developing countries like Turkey, Indonesia, South Africa and Nigeria. Thus, maintaining global liquidity through the selective provision of access to dollar swap lines will not be enough to shore up American leadership, which will be eroded in the absence of a convincing ideology or guiding principle beyond self-interest. The dollar is likely to remain the global reserve currency by default, but as countries grapple with the health impacts and economic fallout from Covid-19, many will turn to China for leadership given the effectiveness of its response.

Chinese leaders are well aware that they may be able to steal a march against the US. The Chinese Government and Chinese firms recently began donating protective medical equipment to countries around the world. This was met with derision by the EU's leading representative for foreign policy, who warned that "there is a geopolitical component including a struggle for influence through spinning [the narrative] and the 'politics of generosity'" (Lau, 2020). Low- and middle-income countries will be disproportionately impacted by the looming economic crisis (Goodman, Politi, Raj, Chitel, and Dahir, 2020), and they are unlikely to be offended by the politics of generosity. In contrast, the US has provided approximately \$100 million to developing countries "to support virus prevention, detection, and control" (Pompeo, 2020) but it cannot be used to purchase personal protective equipment (e.g. masks and gowns for frontline healthcare workers) in order "to ensure there would be enough PPE for the U.S." (Gharib, 2020). In a stunning plot twist, the US was accused by a German official of "modern piracy" after intercepting a shipment of N95 respirators bound for Berlin and redirecting them to the US (Willsher, Borger, and Holmes, 2020). We argue that developing countries will be less offended by the politics of generosity than they will by modern piracy, and we anticipate that China will become the primary development partner for many countries as a result.

## Development according to China

China's assertiveness in the field of global development poses a direct challenge to traditional donors, such as the US and UK, as well as international financial institutions such as the World Bank (Mawdsley, 2019). One common misconception is that the norms, objectives and practices of global development are agreed upon, and that China is elbowing its way into the crowded group of countries and institutions that provide aid and expertise. On the contrary, China is beginning to shape the very notion of development, and this raises the question: What is the meaning of 'development' according to China?

To answer this question, it is necessary to understand how the concept of 'development' evolved from earlier understandings of state-induced change on a grand scale. The US Government launched a raft of measures designed to 'reconstruct' the southern states whose economies were ravaged by the country's brutal Civil War (1861–1865). In the late-19th century American policy makers turned their attention overseas to their quasi-colonies. American exceptionalism and technological mastery were meant to catalyze the modernization of stagnant primitive societies.

Development became a cornerstone of American efforts to halt the spread of communism after the Second World War. The USSR and the US competed for client states during the Cold War, yet their development aid programs were strikingly similar in terms of their objectives and practice. Both were informed by the experience of colonizing a vast internal frontier, and both leveraged the command of technology and a rationalized organizational structure to foster industrialization. Large-scale investments in turnkey projects in remote areas, such as dams and steel plants, were designed to have ripple effects and result in the growth of industry and the enhancement of productivity in agriculture. Historian Michael Adas (2006,

p. 276) explained that this served to limit the policy space of recipient countries:

The underlying similarities in the developmentalist ideologies and policies advanced by the rival superpowers in the cold war meant that the options available to leaders and planners in post-colonial societies were much more limited than currently prevailing interpretations of the era, which stress superpower differences and competition, would suggest.

China remained aloof from debates surrounding mainstream development policy advocated by the Americans and the Soviets throughout the Cold War. China's irrevocable split with the USSR in the late-1950s led to the departure of Soviet technical advisors (Lüthi, 2010). One result was that the Chinese Communist Party's reputation was never tarnished by its association with Stalinism. In contrast, revelations of Stalinism's excesses led to the collapse of mass support for communist parties in Western Europe. Communist ideology advanced by organized parties was replaced by a distrust of metanarratives and it gave way to a preference for relativism, difference and local particularisms that inhibited a coordinated resistance to the rolling back of Keynesian welfare states in the 1980s.

Neoliberalism became the ideological foundation of development in the 1980s, and according to Colin Leys (1996, p. 24), "the only development policy that was officially approved [by the Washington Consensus] was not to have one." The human and environmental costs of neoliberal restructuring were increasingly apparent as the 1980s wore on, yet opposition remained convulsed by conflict that pitted Marxists, who had regrouped under a banner of critical political economy, against adherents of post-development who were committed to identity politics.

China avoided the ideological battles that characterized development studies in the West throughout the 1980s and 90s. *china* was never forced to accept a loan from the International Monetary Fund under duress, and the political autonomy it has enjoyed as a result sets it apart from other BRICS countries. Most importantly, Chinese policy makers have had the time and policy space to experiment with an eclectic mix of pragmatic reforms. To this end, five special economic zones were established in the mid-1980s and served as policy laboratories where Western institutions were tested (Chen, 2019; Yeung, Lee, and Kee, 2009). Political reforms were decidedly abandoned after 1989, but economic experimentation and reforms continued apace. While sectors of China's political economy became increasingly market-oriented, it avoided the radical shock therapy implemented in other developing countries and the state remained sovereign vis-à-vis markets. Policy makers pursued a set of objectives strikingly similar to what Western theorists outlined in 'modernization theory,' that is, broad-based structural transformation from an agrarian society to a center of advanced techno-industrial production and innovation that exhibits an increasingly sophisticated division of labour. Hundreds of millions of people were lifted out of poverty and living standards improved for the vast majority, which explains why the Chinese Government enjoys a high level of trust and legitimacy among its citizenry (Tang, 2018). This hybrid and pragmatic approach – rather than a universally applicable policy framework informed by ideology – informs China's understanding of development.

## Development with Chinese characteristics: pragmatic, bi-lateral and infrastructure oriented

In the years after 2008, a conversation emerged in academic and development circles around the potential for countries to follow the example of an alternative 'China model.' After an initial wave of interest, though, these debates subsided for two main reasons. First, the identification of a 'Beijing Consensus' surrounding development policy proved elusive. It was impossible to identify the parameters of a concrete set of ideologically-informed policies in the manner of John Williamson's (2004) original Washington Consensus. Second, China's post-1978 economic miracle was the result of very particular circumstances that developing countries could not hope to replicate. Most important was China's virtually unlimited supply of cheap but relatively productive labour,



whose integration with East Asian value chains was mediated by the Chinese diaspora.

For countries used to adhering to an economic orthodoxy that has too often wrought instability and crisis, the absence of an ideologically informed policy framework is precisely what makes China an appealing development partner. For the most part, China's development cooperation is not conditional upon domestic policy reforms. The most notable exception is the Chinese leadership's sensitivity towards perceived support for separatism or 'splitism.' For example, Mongolia's attempt to secure Chinese loans was temporarily derailed as a result of a 2016 visit by the Dalai Lama to Ulan Bator (Wong, 2016). Critics maintain that China's official policy of non-interference is a defensive manoeuvre aimed at pre-empting foreign criticism of politics surrounding Taiwan, Hong Kong, Tibet and Xinjiang<sup>3</sup>. Regardless of China's motives, many governments find it easier to meet this condition than to implement the suite of reforms demanded by neoliberal institutions that act as custodians of mainstream development policy such as the IMF and World Bank.

China's growing economic and political entanglements abroad, particularly in East Asia and Africa, have necessitated a gradual de facto shift away from non-interference. In the aftermath of South Sudan's independence, for example, China leaned on the Juba government to end conflicts with both Khartoum and rebels which threatened Chinese oil interests. Nevertheless, Chinese envoys have cultivated relationships with ruling and opposition parties in numerous countries. And when friendly governments have been ousted by elections or coups, Chinese diplomats have courted their replacements (Holslag, 2011). In general, China has been happy to lend to democracies and autocracies alike, as well as both US allies and so-called rogue states.

Chinese development assistance incorporates spatial planning strategies that are a legacy from the post-reform period when China's slumbering interior was activated through its integration with entrepot cities along its south-eastern coast. Plans tend to emphasize the importance of inter-city, regional and even transnational connectivity via expansive corridors (Mayer and Zhang, 2020). The realization of these ambitious plans requires significant investments in infrastructure such as regional energy grids, railways, highways and ports (Schindler and Kanai, 2019). Chinese planners consider this turnkey infrastructure a necessary precondition for economic growth, and countries are encouraged to finance construction through loans. Most loans for large-scale infrastructure projects are issued by the China Development Bank and China ExIm Bank, and neither institution has shown any interest in reforming the domestic economic policies or institutional structures of borrowers. While project-specific conditions are common (the insistence that Chinese firms are the lead contractors, for example), pragmatism and flexibility remain the guiding principles of China's overseas development policy (Lee, 2017).

The Trump Administration has promoted the idea of Chinese 'debt trap diplomacy' (Schindler, 2019). The charge is that China is acting as a kind of international loan shark by deliberately lending countries unsustainable amounts, then using debt as leverage to force borrowing governments to accept Chinese domination or relinquish strategic infrastructure in exchange for debt relief. Proponents of this narrative often cite the example of Hambantota Port in Sri Lanka, which was handed over to China in 2016. There is speculation that Hambantota will eventually become a Chinese naval base. The reality is rather different. The port was a loss-making venture and associated with the previous government's national development plans. The new government in Colombo struck a deal to sell a 70% share to China Merchants Port for \$1.12 billion. It is certainly true that Sri Lanka was struggling with a heavy debt burden at the time, but only 10% of its outstanding debt was owed to China. The idea that Beijing engineered

a debt crisis in Sri Lanka in order to take possession of Hambantota does not bear scrutiny (Brautigam, 2020; Sautman and Hairong, 2019).

As China has expanded its lending portfolio some states have indeed struggled to repay their loans. China's responses highlight its preference for bilateral negotiations and pragmatic solutions over multilateral engagement. Ordinarily, governments seeking debt relief must deal with the Paris Club. It is a grouping of the major lending states that act in concert to establish a common negotiating position. Getting a Paris Club deal, in turn, depends on a country agreeing to an IMF program, that typically includes policy reforms designed to ensure outstanding debt is repaid. China is not a member of the Paris Club. Instead, it conducts its own separate talks with governments in debt distress, and again, China appears to approach these negotiations on a case-by-case basis. Some small debts have been written off entirely (Kratz, Feng, and Wright, 2019), other loans have been restructured and expanded or amortized over a longer period to ease the immediate burden (South China Morning Post, 2019; White, 2020). Finally, in some cases the cost of planned infrastructure projects has been revised downward (Mitchell and Woodhouse, 2019).

Rather than a model with universal applicability, China's development assistance is goal oriented. First and foremost, Chinese development assistance appears designed to reorient the global economy in ways that strengthen Sino-centric production networks (Hung, 2017). According to Zhang (2017, p. 321) the Belt and Road Initiative "could entrench Sino-centric networks of trade, investment, and infrastructure in East Asia, Southeast Asia, Eurasia and beyond, echoing Japan's 'flying geese' model, but on a much more expansive geographic dimension, and in a more complicated, diverse and multi-scalar manner." This entails unbundling existing value chains driven by lead firms within China and offshoring certain segments. To this end, China builds hard infrastructure first (eg ports, railways, energy grids), firms locate production facilities in proximate industrial parks and officialdom subsequently exerts soft power if necessary. This is a marked difference from Washington Consensus institutions which, throughout the 1980s and 1990s first exerted soft power to open markets, and then allowed market forces to determine whether hard infrastructure was built. China's approach has proven attractive to many developing countries, which is evident from the number of countries that have agreed to participate in the Belt and Road Initiative.

Shortages of basic medical equipment in advanced-industrial countries has led to a realization that they are entirely dependent on China. The US and Japan have made initial moves to decouple their domestically-anchored value chains from China, while China is simultaneously seeking to unbundle its domestic value chains. If these trends continue they could radically re-shape economic geography in the 21st century, and at the very least, we anticipate an expanded role for China in the field of global development.

## The future of Chinese leadership in development

The true scale of COVID-19's impact on the global economy is impossible to assess at present. The IMF currently predicts that 2020 will see the worst recession since the 1930s, though the damage could be even greater if the pandemic persists into the second half of the year (Gopinath, 2020). Developing countries face capital flight, currency crises and cratering export revenues, and many are only beginning their battle against the virus. This situation has already made it difficult for countries to meet repayments on debts owed to governments, international organisations and private creditors. The World Bank backed a G20 initiative to suspend debt repayments from developing countries (Malpass, 2020), and China urged the World Bank to "lead by example" and do the same (Lawder, 2020).

Debt relief in the short term will provide many countries with necessary reprieve. However, a long-term solution will be far more difficult to engineer because the US retains a dominant position at the World Bank and IMF and insists that no assistance from either institution be used to pay off debts to China (Lawder and Crossley, 2020). This is an attempt to slow China's economic expansion overseas, but it also reflects an incompatibility between China's lending and Washington Consensus principles. Up until now, this impasse has been managed by borrowing countries first

<sup>3</sup> Pan and Du link China's condemnation of foreign criticism on these issues to Deng Xiaoping's statement that "...China will never allow other countries to interfere in its internal affairs" (Deng, 1993, cited in Pan and Du, 2015). Non-interference has been a key component of Chinese foreign policy since 1949. It is most commonly associated with the Five Principles of Peaceful Coexistence which formed part of the 1954 Sino-Indian Treaty and the basis for the later Non-Aligned Movement. Practical application of the policy has evolved over the decades, but some argue that non-interference has been '...as much about defending China from foreign interference...as about ideological projection in the developing world...' since the establishment of the People's Republic (Duchatel, Brauner, and Zhou, 2014, p1).

reaching bi-lateral debt relief deals with China, before then turning to the IMF. This is a slow but feasible workaround for individual countries, but it cannot work if dozens of countries require debt relief at the same time.

Any sustainable solution will require China to be fully integrated into the multilateral debt system of the Paris Club and IMF, yet doing that successfully will mean accommodating China's very different lending philosophy. This would require an overhaul that would lead many G20 countries to balk, not least the US. If an accommodation is not reached between China and the Paris Club, developing countries may find themselves in a position where they have to choose between defaulting on either Chinese loans or Paris Club and IMF debt. At present this impasse is far from being resolved (Parkinson, Areddy, and Bariya, 2020), and one result of a prolonged struggle surrounding debt could be the emergence of two distinct economic blocs reminiscent of the Cold War. There are signs this is already happening. For example, after the US withdrew from the nuclear deal with Iran and sanctions were re-imposed. European countries balked at US intransigence but they were unable to piece together a program to mitigate American sanctions. Rather than forcing the Iranians to the bargaining table, however, this drove them into a \$400 billion deal with China (Cohen, 2020).

Second, if Trump is elected to a second term in November we can expect more of the same. American policy will remain jingoistic and self-serving, while incompetence will continue to characterize the US Government's operations at home and abroad. In this scenario China would continue to be harassed by the US in ad hoc ways that Beijing would likely be able to parry. Developing countries would continue to hedge their bets (see Kuik, 2020) and avoid alienating the US but many would look to China for leadership and stability.

If Joe Biden wins the US election in November the situation will become more complicated for China. While Biden's approach to China would surely be more civilized in tone than Trump's, issues such as the balance of trade and intellectual property rights would nevertheless have to be resolved before relations could be reset. The countries would remain competitors, yet unlike Trump, Biden could go on a global charm offensive and marshal support among traditional American allies. Even before the Covid-19 pandemic European companies were seeking to reduce their dependence on China (Rapoza, 2020) while the EU has soured on a trade deal with China (Bermingham, 2020). Similarly, Japan followed suit by providing support in its Covid-19 stimulus package for the repatriation of supply chains from China (Nakazawa, 2020). More recently, tensions flared between China and India over disputed territory in the Himalayas (Agrawal, 2020), and the United Kingdom has ruled that Huawei hardware must be removed from its 5G infrastructure by 2027 (Kelion, 2020). A Biden victory in November could signal the revival of a *Pax Americana* whose primary purpose would be to limit Beijing's disruption of global systems (e.g. trade, finance, production, etc.).

The prospect of a revived *Pax Americana* draws attention to the importance of the geopolitical context that will shape global development. Thus far we have noted that Japan may attempt to decouple its value chains from China, while the EU seeks to manage its current and future member states' relations with China, but many other countries will influence geopolitics. The pace, scope and terms of Eurasian integration will be influenced by Russia, which is intent on regaining influence in former Soviet republics (Dutkiewicz and Sakwa, 2015; Plokh, 2014). A host of so-called 'rising powers' across Eurasia bolster geopolitical claims with historical narratives of their supposed greatness (Onar, 2013), while the Indian Ocean is subject to competing visions (Fanell, 2019). These geopolitical visions and strategies will influence the extent to which the developmental components of American-led neoliberal globalization or the Belt and Road Initiative are rolled out, maintained and realized.

Additionally, the post-Covid-19 economic crisis could jeopardize the BRI. There are already rumblings within the Chinese state and society that label it a wasteful extravagance

(海外网, 2017). Given its close association with Xi Jinping and its inclusion in China's constitution, the BRI enjoys ideological reverence among Chinese officialdom and it has become common sense that it is the framework through which China will engage other countries. While this is

unlikely to change, Beijing may prefer to scale back the BRI than face internal dissent. A more modest version of the BRI would probably focus on strategic large-scale projects undertaken by central government state-owned enterprises (see Lui, Schindler, and Liu, 2020). The Gwadar Port in Pakistan, for example, is an example of a project whose strategic importance far outweighs its potential to generate returns. Mining is another strategic priority which may see a post-pandemic boost. With worries over security of supplies rising along with geopolitical tensions, greater BRI financing for mining ventures in iron ore, copper and coal appears likely in order to reduce China's dependence on Australian resource imports in particular. In contrast, small-scale entrepreneurial initiatives whose strategic value is not readily apparent may be curtailed. These projects tend to be undertaken by private firms, state-level or municipal SOEs, and many are already in financial trouble given the current economic crisis (Russell, 2020). Projects of this sort may struggle to get approval from Beijing in a post-Covid-19 BRI-lite.

In broader terms, questions have long been raised regarding the sustainability of China's economic model, and the Covid-19 pandemic has brought these into sharper focus. Chinese leadership has declined to set a GDP growth target for 2020, breaking with decades of tradition and signalling an end to the economy's unbroken thirty-year run of breakneck economic expansion (Feng and Bermingham, 2020). With the country's total debt now exceeding 300% of GDP, recently announced stimulus measures are understandably somewhat more cautious than those seen in 2008, at least in GDP terms (Shen, 2020). It is unlikely that China will be able to serve as a lighthouse in the coming economic storm in the manner seen twelve years ago. Despite the weakness of its own position in comparison with 2008, China seems likely to emerge with a relative advantage in a situation where all major economies are taking a battering. The OECD projects, for example, that China's GDP will shrink between 2.6 and 3.7% in 2020, compared to equivalent figures of between 7.3 and 8.5% for the US (as well as 9 and 11% for Eurozone economies) (OECD, 2020). Also in China's favour is its relative insulation from volatile global financial markets. So long as the country can avoid its own domestic financial meltdown, which is by no means a given, China's centrality to the global economy only looks set to grow.

In conclusion, the Covid-19 pandemic is the context that will shape the ongoing competition between China and the US. It will not be decided by policy makers in Beijing and Washington alone, however, because both the US and China will have to calibrate their global development policies in response to widespread demands 'from below,' in particular for coordinated action to mitigate climate change. Chinese policy makers are not particularly adept at responding to demands from below, but Beijing will enjoy a reputation as an effective development partner for the time being given its effective handling of Covid-19. The notion of 'development' in China has unique origins – while it adheres to an understanding of development that is strikingly similar to modernization theory, the development policies it advocates are characterized by pragmatism and flexibility. Thus, China is an attractive development partner for many countries, but the durability of its leadership is dependent on US elections, and its ability to continue to support the BRI while also responding to demands from below.

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