

# US Perception of and Response to the Digital Silk Road

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Zhao Minghao

The construction of the Digital Silk Road is an important part of Belt and Road international cooperation, which has a positive impact in promoting the development of the global digital economy and deepening digital connectivity. Therefore, it has been generally recognized and supported by the international community.<sup>1</sup> However, in the context of the Trump administration's escalating strategic competition with China, the Digital Silk Road has attracted more and more attention, and has been given negative connotations. American strategic experts generally believe that the Digital Silk Road poses a major challenge to the economic, diplomatic and security interests of the United States, and they have put forward a series of policy proposals on how to strengthen competition with China in the fields of digital infrastructure construction and digital governance rules. In practice, the Trump administration has launched mechanisms such as the Digital Connectivity and Cybersecurity Partnership, which seeks to combine whole-of-government and whole-of-society efforts in counterbalancing the Digital Silk Road. Therefore, it is of practical significance to better understand how the US perceives and responds to the Digital Silk Road, which will give us a better sense of the international environment facing it, particularly the strategies, means and characteristics of the American campaign to strategically compete with China in the digital age.<sup>2</sup>

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1 Fang Fang, "Digital Silk Road Construction: International Environment and Choice of Paths," *International Forum*, No.2, 2019, pp.61-66.

2 Yan Xuetong, "Strategic Competition between China and the United States in the Digital Age," *World Politics Studies*, No.2, 2019, pp.4-8.

## Mainstream Perception of the Digital Silk Road in the US

In recent years, the Trump administration has substantially adjusted the US strategy toward China in the direction of great-power competition, especially by countering China's Belt and Road international cooperation, by such means as promoting a strategy for "free and open Indo-Pacific," setting up international development financing companies, and creating and exaggerating the "debt trap" rhetoric and other negative arguments against China.<sup>3</sup> In this context, as an important part of Belt and Road international cooperation, the Digital Silk Road has received a great deal of attention from the American strategic community, which generally retains doubts and prejudices about its vision. The following negative perceptions have been found to have become more influential and prominent:<sup>4</sup>

First, the American strategic community fears that through the Digital Silk Road, Chinese enterprises would be able to further strengthen their commercial and technological advantages, and pose threats to American economic interests and its technological leadership. Brian Harding, a senior researcher at the Center for Strategic and International Studies, in his analysis of the operations of Huawei, Alibaba, Tencent, Baidu, Didi and other Chinese enterprises in Southeast Asia, concluded that they have provided high-quality products and services at a lower cost with the help of the Chinese government financing. Harding believes that in the fields of big data, the Internet of Things, submarine cable, cloud computing, e-commerce, online payment and digital finance, Chinese enterprises have formed a competitive advantage, which will directly affect the business interests of American companies such as Apple, Facebook, Google, Twitter and Uber in some countries.<sup>5</sup> In addition,

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3 Zhao Minghao, "The United States' Counterbalance on the Belt and Road Initiative in the Context of Great-Power Competition," *World Economics and Politics*, No.12, 2018, pp.17-25.

4 John Hemmings and Patrick Cha, "Exploring China's Orwellian Digital Silk Road," *The National Interest*, January 7, 2020.

5 Brian Harding, "China's Digital Silk Road and Southeast Asia," Center for Strategic and International Studies, February 15, 2019, <https://www.csis.org/analysis/chinas-digital-silk-road-and-southeast-asia>.

US officials are worried that the Digital Silk Road will erode US dominance in areas like 5G and artificial intelligence, which is fundamental to the economic and social development of all countries in the coming decades.<sup>6</sup> “Promotion of the ‘Digital Silk Road’ could place Chinese companies, standards, and infrastructure at the center of the international information technology ecosystem, while perhaps serving as a vector for Beijing’s global influence,” said Elsa Kania, Adjunct Senior Fellow at the Center for a New American Security.<sup>7</sup> In the eyes of American strategists, by participating in the Digital Silk Road, Chinese companies will expand their global market share and, on that basis, accelerate their technological development and business application capabilities.<sup>8</sup> They are concerned that data localization in some countries under Chinese pressure will lead to higher operating costs for enterprises from the US and other Western countries, thereby giving Chinese companies an “unfair” competitive edge. Also, as the Digital Silk Road is linked to “Made in China 2025” and other Chinese government-driven industrial and technological policies, there are concerns that Chinese enterprises will use such policy support to acquire local businesses and recruit local scientific and technological talents to promote Chinese technological standards more widely in the world and strengthen China’s control over the “digital age.”<sup>9</sup>

Second, US strategists are worried that China will increase data collection in some countries through building the Digital Silk Road, thus posing a challenge to US interests in information security.<sup>10</sup> As Chinese companies build infrastructure for the digital economy in the Belt and Road countries, they can control data from local governments, people, businesses and financial institutions and make them

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6 “The Geopolitics of 5G,” Eurasia Group White Paper, November 15, 2018, pp.18-19.

7 Elsa Kania, “Securing Our 5G Future: The Competitive Challenge and Considerations for US Policy,” Center for a New America Security, November 2019, p.10.

8 Andrew Kitson and Kenny Liew, “China Doubles Down on its Digital Silk Road,” Center for Strategic and International Studies, November 14, 2019, <https://reconnectingasia.csis.org/analysis/entries/china-doubles-down-its-digital-silk-road>.

9 Barry Naughton, “Chinese Industrial Policy and the Digital Silk Road: The Case of Alibaba in Malaysia,” *Asia Policy*, Vol.15, No.1, 2020, pp.27-32; US-China Economic and Security Review Commission, “The 2019 Annual Report to Congress,” November 2019, pp.211-214.

10 William Pacatte, “Competing to Win: A Coalition Approach to Countering the BRI,” Center for Strategic and International Studies, December 2019, p.10.

available to the Chinese government, which is a strategic risk for the United States and related countries, according to Daniel Kliman, Director of the Asia-Pacific Security Program at the Center for a New American Security.<sup>11</sup> Christopher Ford, US Assistant Secretary of State for International Security and Non-Proliferation, made it explicit that under existing domestic laws, Chinese companies, under pressure from the Chinese government, will use the Digital Silk Road to conduct cyber espionage, and become intelligence-gathering tools.<sup>12</sup> It's worth noting that the US pays special attention to the activities of Chinese enterprises and their security implications for US allies and partners. Such cases include the development of 5G test platforms in Thailand by Huawei, the construction of submarine optical cable projects in the Philippines by Huawei Marine Networks, Alibaba operating the Singaporean e-commerce platform Lazada, the HNA Innovation Finance Group supporting Thailand to undertake the China-ASEAN cross-border capital flow project, and so on. In addition, the US is also concerned about the submarine optical cable projects undertaken by Chinese enterprises for Pakistan and Djibouti, which spans South Asia and East Africa and will extend to European countries with significant impacts on US economic and security interests.<sup>13</sup> Chairman of the US-China Economic and Security Review Commission Carolyn Bartholomew, and Senior Fellow at the Council on Foreign Relations Stewart Patrick, both believe that the information security risks posed by such projects under the Digital Silk Road framework cannot be ignored as China can obtain information by tapping submarine cable communications.<sup>14</sup>

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11 Daniel Kliman, "Time for Congress to Establish a US Digital Development Fund," *The Hill*, November 10, 2019; Clayton Cheney, "China's Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism," Issues & Insights Working Paper, Vol.19, WP8, July 2019, pp.14-15.

12 "Huawei and its Siblings, the Chinese Tech Giants: National Security and Foreign Policy Implications," Remarks by Christopher Ford at Multilateral Action on Sensitive Technologies (MAST) Conference, September 11, 2019, <https://www.state.gov/huawei-and-its-siblings-the-chinese-tech-giants-national-security-and-foreign-policy-implications>.

13 John Hemmings, "Reconstructing Order: The Geopolitical Risks in China's Digital Silk Road," *Asia Policy*, Vol.15, No.1, 2020, pp.10-11; Wendy Wu, "US and Allies Urged to Increase Digital Investments in Asia to Counter China's Belt and Road Tech Projects," *South China Morning Post*, February 2019.

14 "Testimony by Carolyn Bartholomew before the Senate Subcommittee on International Trade, Customs and Global Competitiveness, Hearing on China's Belt and Road Initiative," June 12, 2019, p.5; Stewart Patrick and Ashley Feng, "Belt and Router: China Aims for Tighter Internet Controls with Digital Silk Road," Council on Foreign Relations, July 2, 2018, <https://www.cfr.org/blog/belt-and-router-china-aims-tighter-internet-controls-digital-silk-road>.

Third, the Digital Silk Road is believed to be a part of China's "military-civilian fusion" strategy, which will bring complicated and serious challenges to the US in the field of military security.<sup>15</sup> A report by the Ronald Reagan Institute in December 2019 stated that while in the past technological innovation often emerged in the military sphere before being applied in the civilian field, commercial technology in the current era has defined the frontiers of technological innovation. The Digital Silk Road construction involves a large number of commercial technologies with potential for military security application.<sup>16</sup> Many Chinese companies involved in the construction of the Digital Silk Road have strong technical strengths, among which the US pays special attention to artificial intelligence, as Chinese enterprises are leading the world in algorithm, cloud computing and human-computer communication. It is believed that the Chinese military is trying to build an "asymmetric advantage" against the US military to promote the weaponization of artificial intelligence.<sup>17</sup> In addition, Robert Spalding, former Senior Director for Strategic Planning at the US National Security Council, expressed his concerns about the smart city projects under the Digital Silk Road framework, as the promotion of "city brain" involves sensors, driver-less vehicles, computer vision and a series of advanced technology that can be used in the military field.<sup>18</sup> American experts are also worried that through the Belt and Road project of technical talent exchanges, the Chinese government is able to attract more scientific professionals and promote dual-use technological innovation, thus advancing its military-civilian fusion strategy.<sup>19</sup> RAND senior expert Michael Chase and Council

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15 Dean Cheng, Walter Lohman, James Jay Carafano and Riley Walters, "Assessing Beijing's Power: A Blueprint for the US Response to China over the Next Decades," Special Report, No.221, The Heritage Foundation, February 2020, p.34.

16 Ronald Reagan Institute, "The Contest for Innovation: Strengthening America's National Security Innovation Base in an Era of Strategic Competition," December 2019, pp.7-8.

17 US-China Economic and Security Review Commission, "The 2019 Annual Report to Congress," November 2019, pp.218-220.

18 "Chinese Could 'Weaponize Cities' if It Controlled 5G Networks, Retired US General Says," *South China Morning Post*, January 5, 2019.

19 US-China Economic and Security Review Commission, "The 2019 Annual Report to Congress," pp.213-214.

on Foreign Relations researcher Rachel Brown pointed out that the construction of the Beidou Navigation Satellite System under the Digital Silk Road framework will help the Chinese military enhance capabilities like missile positioning and timing, and help China further control the data information of countries along the Belt and Road, thereby strengthening its C4ISR capability (command, control, communications, computer, intelligence, surveillance and reconnaissance), which will damage the interoperability among the US and its allies.<sup>20</sup>

Fourth, the US strategic community is worried that through the Digital Silk Road cooperation, China will be able to promote its ideas and the design of the digital economy and cyberspace governance, and then further challenge the United States in terms of international rules and norms as well as ideology. Adam Segal, Director of the Digital and Cyberspace Policy Program at the Council on Foreign Relations, holds the idea that there are fundamental differences between the US and China in building and maintaining the global cyberspace order. The US supports free, open and responsible cyberspace governance, while China promotes the concept of “internet sovereignty,” advocating localization of data storage, processing and transmission, and strictly controls internet content. The conflict between the US and China on the cyberspace order is difficult to reconcile, and the world may face a “Cold War” in a divided cyberspace.<sup>21</sup> Former Senior Director of the US National Security Council, Evan Medeiros, and a researcher at the Asia-Pacific Center for Security Studies, John Hemmings, stated that China is trying to promote its model through construction of the Digital Silk Road, and that countries like Vietnam, Indonesia, Tanzania and Nigeria

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20 Michael Chase, “The Space and Cyberspace Components of the Belt and Road Initiative,” in Nadege Rolland, ed., *Securing the Belt and Road Initiative: China’s Evolving Military Engagement Along the Silk Roads*, NBR Special Report, No.80, Seattle: National Bureau of Asian Research, September 2019, pp.31-32; Rachel Brown, “Beijing’s Silk Road Goes Digital,” Council on Foreign Relations, June 6, 2017, <https://www.cfr.org/blog/beijings-silk-road-goes-digital>.

21 Adam Segal and Tang Lan, “Reducing and Managing US-China Conflict in Cyberspace,” in Travis Tanner and Wang Dong, eds., *US-China Relations in Strategic Domains*, NBR Special Report, No.57, Seattle: National Bureau of Asian Research, April 2016, pp.46-53; Lora Kolodny, “Former Google CEO Predicts the Internet Will Split in Two-And One Part Will Be Led by China,” *CNBC*, September 20, 2018, <https://www.cnn.com/2018/09/20/eric-schmidt-ex-google-ceo-predicts-internet-split-china.html>.

will replicate China's regulatory framework on cross-border data flows while receiving support from China for network infrastructure construction; China has been training state officials and enterprise personnel in the Belt and Road countries through training courses on its policy, practice and experience in cyberspace management. These countries may adopt China's "social credit rating" system once conditions are met in terms of internet infrastructure.<sup>22</sup> Moreover, some US sources have falsely accused China of helping Cambodia, Kenya, Ethiopia, Zimbabwe, the United Arab Emirates and other countries to expand surveillance of their societies by advancing the Digital Silk Road, and promoting "digital authoritarian" governance models with the construction of "smart cities" and "safe cities," at the cost of citizens' privacy and freedom of expression.<sup>23</sup>

## **The United States' Responses to the Digital Silk Road**

As the US strategic competition against China deepens with increasingly comprehensive, cross-domain, and global characteristics, the Trump administration is trying to combine economic, technological and military containment with ideological repression against China, which is reflected in their handling of the Digital Silk Road. On the one hand, the Trump administration, by launching the Digital Connectivity and Cybersecurity Partnership, has accelerated the construction of a whole-of-government approach to dealing with the Digital Silk Road and improving the allocation

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22 Evan Medeiros, "The Changing Fundamentals of US-China Relations," *The Washington Quarterly*, Vol.42, No.3, 2019, pp.100-101; John Hemmings, "Reconstructing Order: The Geopolitical Risks in China's Digital Silk Road," *Asia Policy*, Vol.15, No.1, 2020, pp.15-16; Daniel Kliman and Abigail Grace, "Power Play: Addressing China's Belt and Road Strategy," Center for a New American Security, September 2018, pp.12-13.

23 Kurt M. Campbell and Jake Sullivan, "Competition Without Catastrophe: How American Can Both Challenge and Coexist with China," *Foreign Affairs*, Vol.98, No.5, September/October 2019, p.98; Robert Spalding, "Data Security in a 5G World: Why It Matters More than Ever," National Bureau of Asian Research, March 16, 2020, <https://www.nbr.org/publication/data-security-in-a-5g-world-why-it-matters-more-than-ever>; Dalibor Rohac, "The Digital Silk Road," American Enterprise Institute, June 10, 2019, <https://www.aei.org/articles/digital-silk-road>; Anna Mitchell and Larry Diamond, "China's Surveillance State Should Scare Everyone," *The Atlantic*, February 2, 2018, <https://www.theatlantic.com/international/archive/2018/02/china-surveillance/552203>.

of relevant resources. On the other hand, American think tank experts are active in offering policy advice and planning new measures to balance China in areas such as digital infrastructure. Generally, the United States is adopting the following strategies in response to the Digital Silk Road:

First, with the Digital Connectivity and Cybersecurity Partnership (DCCP) as the axis, cross-departmental coordination is enhanced within the US government. In 2018, under the Indo-Pacific Strategy framework, the Trump administration proposed DCCP, hoping to promote the “open, interoperable, reliable, and secure” internet and improve the United States’ capability to shape the “digital future” of developing countries.<sup>24</sup> To advance this plan, the Trump administration set up a working group that covers different departments including the State Department, the Defense Department, and the Agency for International Development (USAID). Among them, the USAID plays an important role, giving full play to its own technical strength and extensive contacts with the outside world, promoting digital economic cooperation between the US and other countries, and expanding the export of American scientific and technological products. Agencies like the Global Development Lab under USAID serve the relevant functions.<sup>25</sup> The Access Asia program, implemented by the US Department of Commerce, focuses on the digital economy and facilitates better cooperation between US companies and their counterparts in Asia. Additionally, the Commerce Department has initiated the “Smart Cities: Regions and Communities Export Opportunities” project.<sup>26</sup> The US Trade and Development Agency (USTDA) concentrates on supporting small- and medium-sized digital technology enterprises in the US. Due to the limited financial resources allocated by the Trump administration to DCCP, projects

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24 US Department of State, “A Free and Open Indo-Pacific: Advancing a Shared Vision,” November 4, 2019, pp.19-20, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>; Daniel Kliman, “Time for Congress to Establish a US Digital Development Fund,” *The Hill*, November 10, 2019.

25 USAID, *Digital Strategy (2020-2024)*, April 2020, p.26, [https://www.usaid.gov/sites/default/files/documents/15396/USAID\\_Digital\\_Strategy.pdf](https://www.usaid.gov/sites/default/files/documents/15396/USAID_Digital_Strategy.pdf).

26 Alice Ekman, *China’s Smart Cities: The New Geopolitical Battleground*, Paris: The French Institute of International Relations, December 2019, p.24.

of strategic importance are jointly decided and promoted by the State Department, the Defense Department and the Intelligence Community.

Second, the US has increased support for its companies and those of its allies and partner countries, to provide an “alternative option” of China’s Digital Silk Road.<sup>27</sup> Specifically, the US International Development Finance Corporation and other institutions are helping the enterprises to obtain more business contracts involving the digital economy and cyberspace security in relevant countries.<sup>28</sup> The US Department of Commerce has also created the new position of Digital Attaché in some overseas embassies. Talents are recruited from American technology companies and serve on fixed terms.<sup>29</sup> They not only facilitate relevant business transactions but also provide digital solutions to governance problems in resident countries. In addition, help is offered to some countries to improve debt management and develop their domestic capital markets through projects such as Government Debt and Infrastructure Finance under the Technical Assistance Office of the Treasury Department, to make these countries appealing to Western private enterprises and investors.<sup>30</sup> In order to strengthen all-round competition with China in the digital economy, the US has paid more attention to the coordination of its industrial support, especially the integration of telecommunications infrastructure, e-commerce, smart cities and other industries. Moreover, experts suggested that the US government establish a digital development bank or a fund dedicated to promoting digital development, in the form of a US-EU-Japan tripartite cooperation fund under the OECD framework, or an advisory committee composed of business leaders from OECD countries, to provide financial support for information technology enterprises committed to promoting the Western

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27 Barry Naughton, “Chinese Industrial Policy and the Digital Silk Road: The Case of Alibaba in Malaysia,” *Asia Policy*, Vol.15, No.1, 2020, pp.38-39.

28 Patrick Cronin et al., “Contested Spaces: A Renewed Approach to Southeast Asia,” Center for a New American Security, March 2019, p.16.

29 International Trade Administration, “Digital Attaché Program Information,” <https://www.trade.gov/digital-attache-program-0>.

30 Ely Ratner et al., “Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific,” Center for a New American Security, December 2019, p.29.

rules for cyberspace governance, who can then compete strongly with their Chinese counterparts in project bidding in developing countries.<sup>31</sup>

Third, the US is deepening coordination and cooperation with the governments of its allies and partners, and paying special attention to balancing China in terms of technical standards and international rules. Through the establishment of mechanisms such as the Multilateral Action on Sensitive Technologies (MAST), the Trump administration has pushed allies and partners to restrict Chinese technology enterprises such as Huawei and ZTE, and has established “Coalitions of Caution” to maintain US technological advantages in industries such as semiconductor equipment manufacturing.<sup>32</sup> The Prague 5G Security Conference held by the US and 31 other countries in May 2019 even excluded the Chinese government and enterprises. The Prague Proposals adopted at the conference implied that Chinese enterprises and equipment entail national security risks, and highlighted the necessity to consider the governance model of the country to which the product supplier belongs.<sup>33</sup> US experts suggest that China’s digital technology companies could be suppressed through a “regional strategy” involving allies and partners, the examples of which include joint US and Japanese support for ASEAN’s digital infrastructure, more US support for Japan and India’s Asia-Africa Growth Corridor initiative, and the use of the Gulf Cooperation Council framework by the US and Saudi Arabia to strengthen control of the digital economy and cyber security in the Middle East. In addition, there are voices calling for suppressing Chinese enterprises from the perspective of technical standards and rules. On the one hand, they advocate incorporating provisions such as opposing data localization and supporting corporate adoption of encryption

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31 Sam Parker and Gabrielle Chefetz, “Debtbook Diplomacy: China’s Strategic Leveraging of its Newfound Economic Influence and the Consequences for US Foreign Policy,” The Belfer Center for Science and International Affairs, Harvard Kennedy School, May 2018, pp.48-49; Daniel Kliman, “Why the United States Needs a Digital Development Fund,” pp.3-4.

32 “Coalitions of Caution: Building a Global Coalition against Chinese Technology-Transfer Threats,” Remarks by Christopher Ford at FBI-Department of Commerce Conference on Counter-Intelligence and Export Control, September 13, 2018.

33 “Conference on 5G Seeks United Approach amid Huawei Security Warning,” *South China Morning Post*, May 4, 2019.

technology in the trade agreements between the US and other countries, on the basis of the ASEAN-Australia Digital Trade Standards Cooperation Initiative and the US-Japan Digital Trade Agreement, to influence international digital trade rules.<sup>34</sup> On the other hand, they suggest the US use institutions such as the Asian Quality Infrastructure Center established in Singapore to set high standards for digital infrastructure construction, and enhance the ability of more countries to deal with the so-called “digital risks” and “5G traps” from China. In the future, the US can also work with the United Arab Emirates and other countries to establish a Middle East and Indian Ocean Quality Infrastructure Center.<sup>35</sup>

Fourth, starting with technical assistance, intelligence sharing and public opinion shaping, the US is taking measures to increase the cost for China of promoting the Digital Silk Road. In 2018, the Trump administration initiated the US Support for Economic Growth in Asia mechanism, whereby the Treasury Department’s Office of Technical Assistance, together with the Global Procurement Initiative under the USTDA, provides so-called “technical assistance” for some countries who need to sign contracts with Chinese companies.<sup>36</sup> Through mechanisms such as the Infrastructure Transaction and Assistance Network, the Transaction Advisory Fund, and the Global Infrastructure Coordinating Committee, the US supports its partners to strengthen the legal framework for infrastructure projects, improve transparency of these projects, and review project plans to ensure that there are no hidden long-term costs. The US clearly targets China as its primary competitor and tries to constraint China’s development of cooperative relations with other countries in the field of digital infrastructure.<sup>37</sup> Furthermore, Ely Ratner, Vice President of the

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34 Matthew Goodman et al., “Delivering Prosperity in the Indo-Pacific: An Agenda for Australia and the United States,” Center for Strategic and International Studies, April 2019, pp.8-9; Ely Ratner et al., “Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific,” p.32.

35 Daniel Kliman and Abigail Grace, “Power Play: Addressing China’s Belt and Road Strategy,” Center for a New American Security, September 2018, pp.25-27.

36 US Department of State, “A Free and Open Indo-Pacific: Advancing a Shared Vision.”

37 Anita Prakash, “Indo-Pacific Connectivity Needs Support for Good Governance,” *The Jakarta Post*, December 9, 2019.

Center for a New American Security, suggested that the US strengthen its strategic communication and information action capabilities in the digital age, use new technologies like artificial intelligence to collect information and establish databases, and help other countries understand the risks and dangers of China's Digital Silk Road. Non-governmental organizations should be used for training state officials and media personnel to enhance the local "political resilience" of some countries and counter China's "digital influence." To effectively slow down China's "digital expansion," measures should be taken to cooperate with relevant countries to collect evidence of non-complying operations or other illegal activities of Chinese enterprises and impose "long-arm jurisdiction" on them when necessary, to step up sanctions against specific Chinese enterprises such as Alibaba, and to limit the political and financial support of the Chinese government for its enterprises.<sup>38</sup> The US is also adopting a differentiated competitive strategy to enhance cooperation in the digital economy with American characteristics, particularly in the areas of women's empowerment and digital inclusiveness, so as to distinguish American projects from Chinese ones and attract more countries.<sup>39</sup>

## **Case Study: US Moves to Counterbalance the Digital Silk Road in Southeast Asia**

In recent years, Southeast Asian countries have seen rapid growth in the digital economy and shown great potential in the area, which is reflected in its more than 360 million internet users. The size of the digital economy in the ASEAN region reached \$100 billion in 2019, and will increase to \$300 billion by 2025.<sup>40</sup> The American strategic community generally holds

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38 Ely Ratner et al., "Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific," pp.40-43; Daniel Kliman and Abigail Grace, "Power Play: Addressing China's Belt and Road Strategy," pp.26-27.

39 Daniel Kliman, "Why the United States Needs a Digital Development Fund," p.4.

40 Amalina Anuar, "ASEAN's Digital Economy: Development, Division, Disruption," RSIS Commentary, No.046, March 18, 2019, pp.1-2; Jason Thomas, "Southeast Asia's Internet Economy Booming," *The ASEAN Post*, October 8, 2019.

the belief that Southeast Asia is a strategic target for China in promoting its Digital Silk Road. Considering the market size of ASEAN and the huge amount of data it owns, plus the geostrategic importance of ASEAN, the US must invest more in the region to compete with China.<sup>41</sup> In reality, the Trump administration has treated Southeast Asia as the top priority in dealing with the Digital Silk Road. It's speeding up the construction of multi-level cooperation and coordination mechanisms with ASEAN, and is using the US-Japan Strategic Digital Economy Partnership and other mechanisms to strengthen coordination with its allies and partners and balance China's "digital influence" in Southeast Asia.<sup>42</sup>

First, through the Innovation Connect program set up under the framework of the US-ASEAN Connect, the US has launched its digital diplomacy toward ASEAN countries. The Innovation Connect program includes the Digital Economy Series, the US-ASEAN Information and Communications Technology Work Plan and other mechanisms. Through the Digital Economy Series, the US has diversified its means of flexibly engaging with government officials and business people in ASEAN countries, for example by arranging tour presentations by American cybersecurity experts, holding seminars and workshops in ASEAN countries, and co-sponsoring activities with the ASEAN Coordinating Committee on Electronic Commerce, among others. The US-ASEAN ICT Work Plan is jointly charged by the US Department of State and the Federal Communications Commission to offer training by the US Telecommunications Training Institute to government officials and business circles from ASEAN countries on wireless technology, national cybersecurity strategies, cloud services, etc.<sup>43</sup> In addition, the Trump administration has

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41 Brian Harding and Kim Mai Tran, "US-Southeast Asia Trade Relations in an Age of Disruption," CSIS Briefs, Center for Strategic and International Studies, June 2019, p.6; Prashanth Parameswaran, "ASEAN's Role in a US Indo-Pacific Strategy," Wilson Center, September 2018, pp.2-4; Andrew Scobell et al., *At the Dawn of Belt and Road: China in the Developing World*, California: The RAND Corporation, 2018, pp.300-302.

42 Simone McCarthy, "Can China Outsmart the United States in the Race to Build Smart Cities in Southeast Asia?" *South China Morning Post*, November 25, 2019.

43 See the website of US Mission to ASEAN, <https://asean.usmission.gov/wp-content/uploads/sites/77/Digital-Economy-Series-One-Pager.pdf>, <https://asean.usmission.gov/innovationconnect/#collapse1>.

increased its engagement with small- and medium-sized enterprises in Malaysia, Thailand and other countries through mechanisms such as the Digital Asia Accelerator under USAID and the Digital Policy Consultative Forum organized by the US-ASEAN Business Council, to leverage the power of the business community to influence policy-making in ASEAN countries.<sup>44</sup>

Second, the US has emphasized the importance of the US-ASEAN Smart City Partnership and strengthened its relationship with ASEAN with cyber security as the main focus. In November 2018, Vice President Pence announced the US-ASEAN Smart City Partnership, which is mainly aligned with the ASEAN Smart Cities Network set up in April of the same year. It is supporting 26 ASEAN cities and their specific projects related to intelligent public transportation, urban water resources processing, and data centers, among other areas, and has involved Google, Amazon and other American enterprises.<sup>45</sup> The Trump administration has made cybersecurity one of the priority areas of US policy toward ASEAN and has set up the ASEAN-US Cyber Policy Dialogue. The first annual meeting of the dialogue was held in Singapore in October 2019, and discussions covered 5G technology, digital economy, cyber capacity building, etc. The US also intends to increase its influence in existing ASEAN mechanisms such as the ASEAN Cyber Capacity Development Project.<sup>46</sup> It is worth noting that the Trump administration has targeted Singapore as a key force in its new digital development strategy toward ASEAN. The US has increased its support for the US-Singapore Cybersecurity Technical Assistance Program for ASEAN, the Third Country Training Program, and the ASEAN-Singapore

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44 Michael Michalak, "How ASEAN Can Effectively Address the Data Privacy Conundrum," *The Business Times*, April 4, 2019.

45 Office of the Spokesperson, US Department of State, "The United States and ASEAN: Expanding the Enduring Partnership," November 3, 2019, <https://www.state.gov/the-united-states-and-asean-expanding-the-enduring-partnership>; Kim Mai Tran and Andreyka Natalegawa, "Supporting Southeast Asian Smart Cities is Critical for the Region and the United States," Center for Strategic and International Studies, December 21, 2018, <https://www.cogitasia.com/supporting-southeast-asian-smart-cities-is-critical-for-the-region-the-united-states>.

46 Prashanth Parameswaran, "What's Behind the New US-ASEAN Cyber Dialogue?" *The Diplomat*, October 5, 2019.

Cybersecurity Centre of Excellence, in order to help Southeast Asian countries defend their “digital borders.”<sup>47</sup>

Third, the US pays special attention to guiding ASEAN in the international norms of the digital economy, cyberspace governance and so on, and plays up the so-called “China threat” to ASEAN’s digital ecosystem. Although the ASEAN digital economy has grown rapidly in recent years, there is still room for improvement in rules-making.<sup>48</sup> The US seeks to make ASEAN and its member states accept the principles and rules advocated by the US-Japan Digital Trade Agreement and the G20 data governance agenda. The US Mission to ASEAN is consulting with countries including Myanmar on data governance, and the quasi-official US-ASEAN Business Council has exerted influence on ASEAN in implementing the ASEAN Framework on Digital Data Governance.<sup>49</sup> In order to further increase pressure on China in the field of digital governance, some American strategic experts have been exaggerating the “China risk” in Southeast Asia’s digital economy. “As Chinese technology companies become a growing part of the digital ecosystem in Southeast Asia, societies in the region will confront a heightened risk that Beijing will seek to shape their domestic information environment to advance its geopolitical ambitions,” said Patrick Cronin, a senior researcher at the Center for a New American Security, in a report he coauthored. The report suggested that the US work with these countries to respond to China’s “influence actions” in digital space, especially in the Philippines, Malaysia and Indonesia, three countries with relatively more cyberspace freedom, as a means of countering China’s “disinformation.”<sup>50</sup>

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47 Bhaswati Guha Majumder, “Singapore and US Sign New Deals: Cybersecurity Training and Bilateral Exchange of Tax Information,” *International Business Times*, December 4, 2019.

48 Amalina Anuar, “Indo-Pacific Economic Vision: Role of US-ASEAN Digital Diplomacy,” RSIS Commentary, No.145, September 6, 2018, p.2.

49 Mark Manantan, “US, Japan, and Southeast Asia Cooperation: Building a Data Governance Blueprint,” *Asia-Pacific Bulletin*, No.505, April 30, 2020, pp.1-2; US Mission to ASEAN, “Digital Economy Series Event on Cyber and Data Governance with Myanmar,” February 5, 2020, <https://asean.usmission.gov/digital-economy-series-event-on-cyber-and-data-governance-with-myanmar>; US-ASEAN Business Council, “Digital Data Governance in ASEAN: Key Elements for a Data Driven Economy,” August 2019, pp.3-5.

50 Patrick Cronin et al., “Contested Spaces: A Renewed Approach to Southeast Asia,” Center for a New American Security, March 2019, p.22.



Consumers experience 5G virtual reality (VR) videos at a China Telecom service outlet in Beijing, China. The 5G technology is facilitating in-depth integration of the digital economy and the real economy, while creating a vast range of new applications and business models.

Fourth, the US regards Japan as the primary partner in dealing with the Digital Silk Road in the Asia-Pacific region, especially in Southeast Asia, and continues to strengthen coordination and cooperation with Japan. During Trump's visit to Japan in May 2019, the two countries agreed to establish the US-Japan Strategic Digital Economy Partnership. This partnership aims to deepen bilateral cooperation in third countries on issues such as the digital economy. In particular, the US hopes to use Japanese funds and capacity-building projects to promote its own initiatives, such as DCCP and the US-ASEAN Smart City Partnership.<sup>51</sup> The main focus of the US-Japan Strategic

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51 "Fact Sheet: President Donald J. Trump and Prime Minister Shinzo Abe Advance the United States' and Japan's Global Partnership," May 27, 2019, <https://www.state.gov/president-donald-j-trump-and-prime-minister-shinzo-abe-advance-the-united-states-and-japans-global-partnership/>.

Digital Economy Partnership includes the following aspects. First, promoting digital trade and digital economic innovation, using “the best practices” to bring about digital transformation of cities in ASEAN countries. For example, through the Global City Teams Challenge project launched by the National Institute of Standards and Technology under the US Department of Commerce, the US is collaborating with Japan in constructing smart cities in ASEAN countries. Second, the two countries are cooperating in investment and construction of information and communications technology (ICT) infrastructure, such as 5G networks and submarine optical cable for the sake of ensuring the supply chain security of related products, and maintaining their existing leading positions in setting global ICT standards. Third, US-Japan cooperation has been strengthened in cybersecurity capacity-building, in which the two countries set up the Industrial Cybersecurity Center of Excellence, jointly organized seminars on cybersecurity issues, and increased training for state officials and business people. And fourth, there is also a proposal to use digital connectivity to promote human rights, combat digital protectionism and the illegal use of data by “authoritarian governments,” and facilitate the free flow of data, privacy and intellectual property rights. One example is the APEC Cross Border Privacy Rules, which are jointly advanced by the US and Japan.<sup>52</sup>

In addition to the above measures, the strategic community in the US and Japan also seeks to jointly counterbalance the Digital Silk Road by the following measures. First, the International Development Finance Corporation of the US and the Japan Bank for International Cooperation support high-tech enterprises of the US, Japan and other partner countries to expand their businesses in Southeast Asian countries. They pay more attention to areas such as online payment, which is closely related to the daily life of local people, to more effectively compete with their Chinese counterparts.<sup>53</sup> Second, efforts are made to develop human resources

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52 See the website of the Ministry of Foreign Affairs of Japan, <https://www.mofa.go.jp/files/000482895.pdf>.

53 Nir Kshetri, “China’s Emergence as the Global Fintech Capital and Implications for Southeast Asia,” *Asia Policy*, Vol.15, No.1, 2020, pp.80-81.

related to the digital economy. Some American experts suggested that the Bureau of Educational and Cultural Affairs of the Department of State should support cooperation between US universities and Japanese organizations to provide technical and vocational training in artificial intelligence for people in Southeast Asian countries, especially the younger generation.<sup>54</sup> Third, the US will further use the existing cooperation mechanisms between Japan and ASEAN, such as the ASEAN-Japan Cybersecurity Capacity Building Centre, to expand its influence in the digital field. Lastly, given its cooperation with South Korea and Australia in Southeast Asia's digital economic development, the US may move toward the establishment of US-Japan-South Korea or US-Japan-Australia multilateral mechanisms, in order to better integrate the resources of its allies and more effectively counterbalance China.<sup>55</sup>

## **Prospects and Implications of US Counterbalance Against the Digital Silk Road**

Although the United States has taken many measures to counterbalance the Digital Silk Road, it also faces obstacles to pushing forward the “digital Cold War” aimed at suppressing China's economic and technological influence.<sup>56</sup>

First, the Trump administration's crackdown on Chinese high-tech companies has sparked controversy within the US itself. The Trump administration has listed Huawei, ZTE, Haekangwei and other Chinese high-tech enterprises that have participated in the Digital Silk Road to the Entity List, comprehensively tightened export controls over China, anxiously restricted business contacts of American and other Western enterprises with China, and tried to weaken China's industrial basis for technological

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54 Patrick Cronin et al., “Contested Spaces: A Renewed Approach to Southeast Asia,” p.22.

55 Lindsey Ford, “The Trump Administration and the ‘Free and Open Indo-Pacific’,” The Brookings Institution, May 2020, pp.10-11; “5G Capacity Building Workshop for ASEAN Takes Place,” US Mission to ASEAN, May 24, 2019, <https://asean.usmission.gov/5g-capacity-building-workshop-for-asean-takes-place/>.

56 Marc Champion, “Digital Cold War,” *Bloomberg*, December 13, 2019, <https://www.bloomberg.com/quicktake/how-u-s-china-tech-rivalry-looks-like-a-digital-cold-war>.

progress in key areas like 5G. This has led to dissatisfaction among American companies such as Qualcomm, Google and Apple, who have argued that the move will not only directly impact American companies' supply chains, business profits and market share, but also adversely affect their roles in setting global technical standards.<sup>57</sup> It is worth noting that the increasing restrictions on the export of technology products to China by the US Department of Commerce have also caused some controversy within the US government. According to officials at the Department of Defense, restricting business dealings between American companies and Huawei will harm these American companies, leading to a decline in R&D funding, which is not conducive to the US maintaining its technological competitiveness.<sup>58</sup> In addition, some American strategists are worried that the US push for industrial and technological decoupling from China will be counterproductive to the interests of the US itself. Susan Shirk, former Deputy Assistant Secretary of State and Professor at the University of California San Diego, pointed out that the US government's approach will seriously damage its own innovation ecosystem.<sup>59</sup>

Second, while the Trump administration has pressured US allies and partners to restrict Chinese companies on grounds such as information security, the latter are not willing to fully comply with American instructions. US Secretary of State Mike Pompeo, Secretary of the Treasury Steven Mnuchin and other senior officials lobbied more than 60 countries to ban Huawei participation in their respective construction of 5G networks, especially the United Kingdom and Germany. As British Secretary of Defense Ben Wallace revealed, Trump and core members in his government once warned during a NATO meeting in December 2019 that the US would reduce intelligence

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57 Adam Behsudi, "US Chip Firms Fear Trump's Screws on Huawei is Bad for Business," *Politico*, February 10, 2020, <https://www.politico.com/news/2020/02/10/us-chip-firms-fear-trumps-screws-on-huawei-is-bad-for-business-113222>; NicolLee, "Navigating the US-China 5G Competition," The Brookings Institution, April 2020, pp.5-6.

58 David Lynch, "Pentagon Nixes Proposal to Toughen Limits on US Sales to Huawei," *The Washington Post*, January 24, 2020.

59 Orville Schell and Susan Shirk, *Course Correction: Toward an Effective and Sustainable China Policy*, New York: Asia Society, February 2019, p.8, 22.

sharing with the UK if it approved Huawei's access to its 5G market.<sup>60</sup> However, American pressure has not worked well. So far Australia, New Zealand, Japan and Vietnam have made decisions banning the use of Huawei equipment. The UK announced at the end of January 2020 that it would allow Huawei limited participation in its 5G construction, but reversed its decision and ordered the phased removal of Huawei's technology in July. However, Germany and other European countries do not seem to identify with the Trump administration's technological Cold War. On the one hand, they feel that the "security threat" posited by the US is not supported by substantial evidence; on the other hand, Chinese enterprises have advantages in technology and cost control, and the US cannot provide a good alternative.<sup>61</sup> As German Interior Minister Horst Seehofer said, Germany opposes exclusion of Huawei from its 5G construction, which could slow it down by 5 to 10 years without Huawei participation.<sup>62</sup> German experts called for more dialogues between China and the European Union on the digital economy and its political and security implications to avoid falling into "digital trench warfare."<sup>63</sup>

Third, developing countries and some international organizations also do not agree with the US, since they are not willing to live under the shadow of some "digital arms race," or become the victims of US containment and repression against China.<sup>64</sup> Developing countries in Southeast Asia and Africa have huge needs in promoting digital infrastructure construction and developing the digital economy, hoping to cope with their development difficulties and address the social and governance problems caused by

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60 Zak Doffman, "Trump's Most Critical Huawei Threat Just Confirmed in 'Surprisingly Outspoken' Interview," *Forbes*, January 12, 2020, <https://www.forbes.com/sites/zakdoffman/2020/01/12/trumps-most-critical-huawei-threat-just-confirmed-in-surprisingly-outspoken-interview/#5882241448d1>.

61 Federica Russo, "Virus Crisis Will Open Doors to Huawei 5G in Europe," *Asia Times*, April 30, 2020, <https://asiatimes.com/2020/04/virus-crisis-will-open-doors-to-huawei-5g-in-europe/>.

62 Elena Pavlovska, "Germany's Interior Minister Oppose Huawei Exclusion," *New Europe*, January 20, 2020, <https://www.neweurope.eu/article/germanys-interior-minister-opposes-huawei-exclusion/>.

63 Annegret Bendiek et al., "Preventing Digital Trench Warfare between the EU and China," German Institute for International and Security Affairs, January 3, 2019, <https://www.swp-berlin.org/en/point-of-view/2019/preventing-digital-trench-warfare-between-the-eu-and-china/>.

64 Andre Wheeler, "China's Digital Silk Road: the New Frontier in the Digital Arms Race?" *Silk Road Briefing*, February 19, 2020, <https://www.silkroadbriefing.com/news/2020/02/19/chinas-digital-silk-road-dsr-new-frontier-digital-arms-race/>.

urbanization.<sup>65</sup> Experts noted that the alarm on information security by the US was not a primary concern for their governments and populations, and that the US tended to exaggerate such threats. “Faced with the choice between having vulnerable systems or expensive systems, most developing countries will choose the former,” and therefore the fear created by the US will not stop the Digital Silk Road.<sup>66</sup> Although the US keeps playing up its accusation that Chinese technology companies steal intelligence from the African Union, the AU has still decided to continue strengthening its partnership with Huawei in cloud computing, artificial intelligence and other areas.<sup>67</sup> Countries in Southeast Asia, such as Cambodia, Thailand and Indonesia, also hope to expand cooperation with China in 5G, smart cities, telemedicine and autopilot.<sup>68</sup> Facing pressure brought by the digital competition between China and the US, ASEAN countries are trying to expedite building a unified market through the Digital Integration Framework Action Plan, in order to deal with the integration of different technical rules and systems, and reduce the risks posed by a split digital economy.<sup>69</sup>

Although the United States will not fulfill its wishes in suppressing the Digital Silk Road, the negative effects should not be ignored. First, it will limit Chinese enterprises’ space for commercial cooperation. The US will continue to pressure its European allies, and domestic forces in countries like the UK and Germany are also trying to play tough with China in the digital economy and cybersecurity area. For example, some conservative MPs in the UK advocated a complete ban by 2023 on

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65 Huang Yupei, “China-Africa Joint Endeavor on the Digital Silk Road: Opportunities, Challenges and Approaches,” *China International Studies*, No.5, 2019, pp.13-28; Lou Xiangfei, “Building China-Latin America Digital Silk Road: Challenges and Roadmap,” *China International Studies*, No.4, 2019, pp.48-63.

66 Jonathan Hillman, “Fear Will Not Stop China’s Digital Silk Road,” *Financial Times*, July 11, 2019; Paul Triolo, Kevin Allison, Clarise Brown and Kelsey Broderick, *The Digital Silk Road: Expanding China’s Digital Footprint*, Eurasia Group, April 2020, pp.2-7.

67 Abdi Dahir, “The African Union is Doubling Down on Deepening its Relationship with Huawei,” *QuartzAfrica*, May 31, 2019, <https://qz.com/africa/1632111/huawei-african-union-sign-deal-to-boost-5g-ai-cloud-computing>.

68 Stuart Lau, “ASEAN Nations Will Consider Huawei as 5G Supplier Despite Security Questions, Official Says,” *South China Morning Post*, March 3, 2020.

69 Amalina Anuar, “ASEAN’s Digital Economy: Development, Division, Disruption,” *RSIS Commentary*, No.046, March 18, 2019, p.3.

Huawei's participation in British 5G construction.<sup>70</sup> The pressure from the US government will also affect existing cooperation between Chinese and American companies, such as the cooperation mechanism established in November 2017 between China's Inspur Group and IBM and Cisco, to support the construction of smart cities under the Belt and Road framework.<sup>71</sup> Second, some countries will be forced to choose between China and the US. Greater strategic competition between the two countries in the digital sector, especially the American approach of turning economic issues into security ones, has brought increasing pressure to Southeast Asian and African countries. This may lead to bifurcation or Balkanization of future digital economy and digital technology, and increase the policy and development costs of the countries concerned.<sup>72</sup> Third, it will damage the foundation and atmosphere of international multilateral cooperation in the area of digital development. The US has increasingly tried to counter the Digital Silk Road from the perspective of the interaction between the digital economy and geopolitics, revealing its zero-sum mindset. Affected by this trend, digital economic cooperation under the multilateral framework of the World Trade Organization and G20 will face greater resistance and possibly become a ground for geopolitical rivalry, making the problem of digital disorder more prominent.<sup>73</sup> Lastly, the competition among major countries will get fiercer in the field of standards and rules. The US has increasingly focused on rules-making and standard-setting, worrying that the state power of China combined with its industrial advantage will lead to global acceptance of Chinese standards.<sup>74</sup> In order to deepen strategic competition

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70 Dan Sabbagh, "Boris Johnson Forced to Reduce Huawei's Role in UK's 5G Networks," *The Guardian*, May 22, 2020, <https://www.theguardian.com/technology/2020/may/22/boris-johnson-forced-to-reduce-huaweis-role-in-uks-5g-networks>.

71 Alice Ekman, "China's Smart Cities: The New Geopolitical Battleground," The French Institute of International Relations, December 2019, p.25.

72 Kristin Shi-Kupfer and Mareike Ohlberg, "China's Digital Rise: Challenges for Europe," MERICS Papers on China, No.7, April 2019, pp.45-46.

73 Global Business Policy Council, "Competing in an Age of Digital Disorder," June 21, 2019, <https://www.kearney.com/web/global-business-policy-council/article/?/a/competing-in-an-age-of-digital-disorder>.

74 Alan Beattie, "Technology: How the US, EU and China Compete to Set Industry Standards," *Financial Times*, July 24, 2019, <https://www.ft.com/content/0c91b884-92bb-11e9-aea1-2b1d33ac3271>.

against China in the field of digital technology and the digital economy, the US is attempting to weaken China's influence in institutions such as the International Telecommunication Union (ITU), the World Intellectual Property Organization (WIPO) and the International Organization for Standardization (ISO), and is hedging China's efforts in international rule-making and standard-setting. The US National Institute of Standards and Technology is also accelerating the formulation of countermeasures to meet China's challenges in the field of information technology standards.<sup>75</sup>

## Conclusion

With the orientation of great-power strategic competition as the core, the United States' perception of the Digital Silk Road is dominated by Cold War thinking and political prejudice. Its attempt to counterbalance the Digital Silk Road is not only closely related to the economic and technological competition with China, but also linked with the American pressure on China at the ideological level and at the level of international institutions, with whole-of-government and cross-domain characteristics. However, the building of the Digital Silk Road conforms to the trend of the Fourth Industrial Revolution and the development of the digital economy globally, and has been widely recognized and supported by the international community. It will simply not be stopped by force. China needs to guide the US in forming a more objective view of the Digital Silk Road, while accurately meeting the needs of different regions, countries and partners, and properly dealing with new problems posed by digital geopolitics. More efforts need to be made to coordinate with ASEAN and the European Union in formulating digital trade and data governance rules, and exploring open, inclusive, and shared ways of developing the digital economy. 🌐

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75 Paul Triolo, Kevin Allison, Clarise Brown and Kelsey Broderick, *The Digital Silk Road: Expanding China's Digital Footprint*, pp.12-13.