

3 Development assistance in an era of strategic competition and global fragmentation

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This chapter examines how the US-China strategic competition is reshaping development assistance as a domain of geopolitical contest. The analysis focuses on how the dismantling of the United States Agency for International Development (USAID) under the second Trump administration, combined with China's expanding Belt and Road Initiative, is transforming the landscape of international development cooperation.

For Sweden and European partners, the strategic imperative is demonstrating that transparent, accountable development partnerships deliver superior long-term outcomes compared to alternatives that sacrifice governance standards for speed. This requires focused investment in areas of comparative advantage—digital freedom, democratic resilience, and climate-aligned infrastructure—while coordinating with like-minded donors to fill critical gaps created by US retrenchment and counter authoritarian influence in multilateral institutions.

Introduction

This chapter examines development assistance as a theater of strategic competition. It analyzes how different approaches to development reveal competing visions of the international order and explores the implications for democratic development actors—particularly Sweden and European partners—in an era of American retrenchment and authoritarian assertiveness.

The international system is undergoing a structural transformation more profound than any since the end of the Cold War. Three simultaneous shifts are reshaping the global order: the fragmentation of the post-1990 liberal international consensus, the emergence of systemic great power competition, especially between the United States and the People's Republic of China (PRC), and the breakdown of multilateral institutions' capacity to manage shared global challenges. Development assistance—long viewed as a largely technical domain focused on poverty reduction and economic growth—has become a primary arena where these structural changes manifest and where competing visions for global order are being tested.

This ongoing transformation extends far beyond the rise of China as a major development finance provider, though that is certainly a central element. What we are witnessing is the end of what might be called the post-Cold War consensus on development: a broad view that market-oriented economic growth combined with gradual political liberalization represented the natural trajectory for developing countries, and that international development cooperation should facilitate this convergence. That post-Cold War consensus has collapsed under the weight of democratic backsliding in dozens of countries, the demonstrated capacity of authoritarian regimes to achieve rapid economic growth without political liberalization, and the weaponization of economic interdependence by both democratic and authoritarian powers.

The current moment can be characterized as a return to systemic competition—not merely rivalry between great powers, but compe-

tion over the fundamental rules, norms, and institutional arrangements that govern international affairs. Development assistance has become a crucial instrument in this systemic competition, because it shapes the domestic governance structures, economic relationships, and international alignments of scores of countries. And, in aggregate, the choices made by these nations will determine whether the 21st-century international system remains characterized by relatively open, rules-based cooperation, lapses back to a state of nature, red in tooth and claw, or fragments into competing blocs.

U.S. development assistance and U.S. foreign policy

Historically, development assistance served as a critical instrument of U.S. foreign policy, extending influence, fostering stability, and promoting a liberal international order built on democratic values, human rights, and market principles. This aid was instrumental in shaping post–World War II global governance and establishing norms of cooperation and transparency.

U.S. foreign assistance has, historically, been predominantly grant-heavy, driven by the values that animated American foreign policy and, as such, designed to empower local institutions, promote transparency, and foster sustainable, inclusive development (DeSilver, 2025), even if at times it did not always land that way for aid recipients.

The second Trump administration’s foreign assistance posture, including the dismantling of the United States Agency for International Development (USAID) and dramatic budget cuts, creates both significant risks and strategic opportunities for the global order. This shift has accelerated trends toward a more fractured international system while creating space for alternative leadership. The Trump administration’s preference for short-term, transactional wins over long-term capacity-building and values-driven development fundamentally undercuts U.S. credibility as a reliable and predictable development partner. Moreover, it weakens the U.S. voice and leverage within international institutions that rely on multilateral cooperation

and shared development goals, such as the World Bank, IMF, and various UN agencies. This approach risks eroding adherence to established international norms of sustainable development, good governance, and human rights, which have been painstakingly built over decades.

The global humanitarian dimension presents particular challenges. USAID has historically provided a substantial share of global humanitarian assistance outside the UN system, with rapid response capabilities that have been crucial in recent crises from Syria to Haiti to Ukraine. Loss of this capacity, if it is not maintained at the State Department, would create a humanitarian gap that existing multilateral systems cannot fill, potentially leading to increased human suffering and regional instability that ultimately undermines global security (Harvard Kennedy School, 2025).

One of the most immediate risks involves the abrupt termination of crucial data collection systems that USAID has historically maintained. From health surveillance networks tracking infectious disease outbreaks in Africa to agricultural productivity monitoring systems in Asia and early warning systems for climate disasters, USAID has funded critical information infrastructure that informs evidence-based policymaking globally. The enduring loss of this infrastructure would create dangerous blind spots in global crisis response capacity, precisely when climate change and health security challenges are intensifying (Caspian Post, 2025).

China's development model

This chapter uses “Chinese development finance” to refer to the full range of China’s international financing activities, including commercial-rate loans from policy banks, export credits, and Belt and Road Initiative (BRI) investments. This concept is distinct from “development assistance” in the OECD Development Assistance Committee (DAC) sense, which refers to concessional flows primarily aimed at development.

The BRI is a central pillar of Beijing’s grand strategy over the past decade and has transformed China into the world’s largest bilateral development financier (Council on Foreign Relations, 2021; American Enterprise Institute, n.d.). Beijing does not classify most BRI financing as “aid,” and indeed China’s actual concessional grants and interest-free loans represent a relatively small portion of its overall international development engagement. This distinction matters because governance frameworks, transparency requirements, and accountability mechanisms differ substantially between these financing modalities.

From 2013 to 2021, the BRI committed approximately USD 889 billion according to data from the American Enterprise Institute’s China Global Investment Tracker (American Enterprise Institute, n.d.), an amount that now exceeds USD 1 trillion, largely in the form of non-concessional loans at commercial rates averaging 2–7 percent interest (Council on Foreign Relations, 2021). This approach frequently leads to debt dependency for recipient nations, with countries like Pakistan, Sri Lanka, and Zambia seeing Chinese debt reach roughly 15–30 percent of their total external obligations (Voice of America, 2024).

However, Chinese development assistance maintains significant appeal to recipient countries for reasons beyond authoritarianism or lack of governance capacity. China’s “south–south cooperation” narrative positions China as a fellow developing nation without colonial baggage—a framing that resonates powerfully across Africa, Asia, and Latin America, where memories of colonial exploitation and structural adjustment programs remain fresh. Chinese aid often comes with fewer governance conditionalities, faster implementation timelines—typically 18–24 months compared to 3–5 years for traditional donors—and direct infrastructure outcomes that provide visible, immediate benefits (GAO, 2024). The “no strings attached” approach resonates with governments seeking sovereignty over their development choices, even as it may compromise long-term governance standards and undermine sustainable economic development.

Chinese development finance is described in more detail in several chapters of this anthology.¹

To counter Chinese influence in the development sphere, it is essential to understand why the Chinese model genuinely appeals to many recipient countries beyond simple authoritarianism or elite capture. These reasons do not excuse governance deficits, debt sustainability problems, or authoritarian enabling that often accompany Chinese development finance. However, they explain why many governments see the appeal of Chinese partnerships for certain types of projects, even when Western alternatives exist—and even more so when other alternatives may be absent. Any effective Western response must address these genuine appeals while demonstrating superior long-term outcomes through transparent, accountable development partnerships.

New era of U.S.–China strategic competition

The intensifying geopolitical, geostrategic, and geoeconomic contest between the United States and the People’s Republic of China represents one of the defining features of contemporary international relations. As articulated in the 2022 U.S. National Security Strategy, the PRC is identified as the only peer competitor with both the intent and the growing capability to fundamentally reshape the international system (U.S. National Security Council, 2022). The view from Beijing is similar, with Chinese President Xi Jinping characterizing the United States as seeking the “containment, suppression, and encirclement” of the PRC (New York Times, 2023), and China’s May 2025 national security white paper (State Council Information Office of the PRC, 2025) pointing to shifting U.S. military posture in the Indo-Pacific as proof of U.S. efforts to destabilize China and check its “legitimate interests”.

¹ For a detailed analysis, see Jingdong Yuan’s chapter in this volume, ‘China’s rise as a global actor in international development finance’.

The resulting power shifts are contributing to an increasingly fractured global order, where consensus on fundamental principles is eroding and competing visions for international cooperation are clashing. Development aid and foreign assistance, previously insulated (in word if not in deed) from great power politics, are now contested domains.

The contemporary international system is increasingly defined by this great power strategic competition that transcends traditional power politics. It constitutes a profound clash over competing visions for governance models, information flows, technology norms, and economic dependencies, all directly challenging the foundations of the existing global order and the efficacy of international institutions, law, and norms.

Development aid as a strategic theater: where competition is playing out

The arena of development has emerged as a critical strategic theater where the U.S.–PRC competition is playing out, with direct implications for international institutions, law, and norms. This competition manifests across several key domains. While climate, environment, and resource extraction represent critical battlegrounds in this strategic competition—and are addressed in dedicated chapters elsewhere in this volume—this chapter focuses on three domains with distinct governance implications that reveal fundamental differences in development philosophy: infrastructure and financial architecture, digital ecosystems, and information warfare and narrative competition.

Infrastructure and financial architecture: beyond false equivalencies

While both Chinese and Western development approaches involve infrastructure investment, the governance frameworks underlying these projects reveal fundamental differences that cannot be reduced

to mere stylistic variations. Chinese infrastructure financing typically operates through deliberately opaque contracts that often lack competitive bidding processes, systematically bypass established environmental and social safeguard requirements, and create non-transparent debt obligations for recipient governments (Al Jazeera, 2021).

Western infrastructure approaches typically embed projects within comprehensive governance frameworks that require competitive bidding, environmental impact assessments, community consultation processes, and transparent financial arrangements. This does not mean Western development lacks state direction—indeed, institutions like the Millennium Challenge Corporation (MCC) and Development Finance Corporation (DFC) represent significant state involvement in development finance. The distinction lies not in market versus state-centric approaches per se, but rather in the governance frameworks, transparency requirements, and accountability mechanisms that govern how development finance operates. These governance standards are not “bureaucratic obstacles” but fundamental requirements for sustainable development that strengthen recipient country institutions rather than undermining them.

Beyond abstract policy concerns about governance standards and transparency requirements, Chinese-financed infrastructure projects have also generated concrete, costly, and highly visible failures that illuminate the serious risks of prioritizing speed and volume over rigorous technical due diligence and governance safeguards. Some illustrative examples are provided below.

Neelum–Jhelum hydropower project in Pakistan

Pakistan’s Neelum–Jhelum Hydropower Project exemplifies these dynamics with devastating clarity. Originally estimated at USD 167 million when first planned in 1989, the Chinese-built project ultimately cost around USD 4.1 billion when finally completed—representing a staggering 2,400 percent cost overrun—with an eight-year construction delay beyond scheduled completion. Pakistan’s Auditor General formally concluded the project was “an exemplary misman-

aged project,” noting that construction delays directly caused Pakistan to lose internationally adjudicated water rights to India in binding arbitration, imposing permanent strategic costs beyond the financial burden. The project’s massive tailrace tunnel collapsed completely within three years of completion, forcing total facility shutdown in July 2022. Chinese contractors subsequently abandoned repair efforts due to Pakistan’s inability to make additional payments, leaving the 969-megawatt facility completely idle during Pakistan’s worst power crisis in decades, when the electricity was desperately needed (Kiani, 2025).

Standard gauge railway in Kenya

Kenya’s Standard Gauge Railway (SGR) demonstrates how operational failure and financial unsustainability compound initial debt burdens to create permanent fiscal drains. The USD 4.7 billion Chinese-built SGR, Kenya’s largest infrastructure project, costs the government over USD 1 billion annually in debt service—representing more than 80 percent of Kenya’s total foreign debt payments in mid-2023—yet generated only about USD 84 million in total revenue during 2022. The railway operates at massive sustained losses requiring continuous direct government subsidies that strain Kenya’s entire national budget. Construction stopped roughly 300 kilometers short of the intended destination in Uganda when Chinese lenders abruptly throttled financing after recognizing the project’s financial unsustainability. The International Monetary Fund has classified Kenya at high risk of debt distress, with the SGR debt burden identified as a primary factor undermining Kenya’s fiscal stability. (Business Daily Africa, 2024; Africa Defense Forum, 2025.)

Coca Codo Sinclair Dam in Ecuador

Ecuador’s Coca Codo Sinclair Dam reveals how technical deficiencies stemming from inadequate oversight create cascading systemic failures. Built by Sinohydro for USD 2.25 billion, Ecuador’s largest infrastructure project experienced severe structural problems imme-

diately upon 2016 completion. Engineers discovered over 7,600 cracks in 2018 resulting from substandard materials and defective welding practices. By 2025, the number of identified cracks had grown to more than 17,000. The hydroelectric plant operates at only about 39–42 percent of designed capacity, forcing repeated nationwide blackouts that cripple Ecuador’s economy. Inadequate geological studies conducted before construction failed to account for regressive erosion patterns that now threaten the dam’s structural integrity, potentially requiring complete reconstruction. After years of disputes, Ecuador dropped international arbitration proceedings in 2025, accepting roughly USD 400 million in compensation while simultaneously ceding operational control of the facility to PowerChina—effectively losing sovereignty over critical national energy infrastructure (Dialogue Earth, 2025).

These three cases share disturbing common patterns: massive cost overruns stemming from poor initial planning and feasibility studies; rushed construction timelines that sacrifice quality for speed; systematic use of substandard materials and questionable construction methods; severe structural defects emerging within months or years of completion; persistent inability to generate projected economic returns or power outputs; creation of unsustainable debt burdens for recipient governments that crowd out other development priorities; and ongoing dependence on Chinese contractors for operations and repairs that recipient countries cannot perform independently.

It should also be noted that China has emerged as a global leader in renewable energy manufacturing and deployment, and Chinese development finance has supported significant clean energy infrastructure in developing countries. However, the governance frameworks, labor standards, and environmental safeguards accompanying these investments remain substantially different from those required by Western development finance institutions, and the strategic implications of technology dependencies created through these relationships warrant careful consideration.

The distinction extends to the underlying financial architecture. China's challenge to Bretton Woods norms through institutions like the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank creates parallel systems with reduced transparency requirements and weaker governance standards. Although not unique, the case of Zambia illustrates this systemic challenge: Chinese creditors have demanded preferred treatment in debt restructuring negotiations, challenging established Paris Club principles that ensure equitable burden-sharing among creditors and transparent debt treatment processes (Mingey & Wright, 2023).

Digital ecosystems and the “Digital Silk Road”

The second domain of aid where the strategic competition is playing out is the field of digital ecosystems. Beyond physical infrastructure, the strategic competition over digital ecosystems represents a battle for the future of information flows, technological standards, and ultimately, the exercise of state power. China's deployment of digital infrastructure through its “Digital Silk Road” initiative systematically includes sophisticated surveillance technologies that enable authoritarian control, while simultaneously meeting real needs in the Global South to be able to join the technological revolution and the remaking of the global economic and financial order (Gravett, 2020). Huawei's “Safe City” initiatives have been implemented in scores of cities across dozens of countries, introducing facial recognition systems, comprehensive digital monitoring capabilities, and data collection infrastructure that fundamentally alter the relationship between citizens and state (Hillman & McCalpin, 2019). The Digital Silk Road initiative has exported surveillance technology to at least 80 countries, introducing systems that fundamentally alter the citizen–state relationship through comprehensive monitoring capabilities and facial recognition infrastructure that enable targeted repression.

In Zambia, Chinese-installed surveillance systems now monitor public spaces in Lusaka and Ndola, with data-sharing arrangements that provide Chinese companies—and potentially the Chinese govern-

ment—access to biometric data of Zambian citizens (WSJ, 2019). Similar systems in Ecuador have been used to monitor political opposition activities, and in Serbia, Chinese surveillance technology has been employed to track journalists and civil society activists (European Parliament, 2019).

This stands in contrast to USAID’s digital development programs that promoted open, secure, and interoperable digital ecosystems, or to Swedish development programs. In Eastern Europe, for example, USAID invested hundreds of millions between 2018–2024 to strengthen cybersecurity infrastructure, promote internet freedom, and support digital governance systems that empowered citizens and fostered democratic participation (Fixler & Yang 2025). Sweden’s development cooperation has supported digital governance reforms in partner countries, emphasizing open-source technologies, data protection frameworks, and digital services that enhance government transparency and citizen participation (Government Offices of Sweden, 2024). These programs explicitly aimed to uphold international law concerning freedom of expression and privacy, creating digital infrastructure that enhanced rather than restricted civic space.

The implications of the strategic competition over digital ecosystems extend beyond individual countries to global governance of cyberspace. Chinese digital infrastructure exports systematically normalize surveillance capabilities, data localization requirements, and state control over digital communications, undermining emerging international norms around digital rights and internet freedom.

Information warfare and narrative competition

The third, and perhaps the most underappreciated, domain of this strategic competition is the narrative warfare that accompanies aid delivery. China has developed sophisticated messaging that frames its development assistance as “dignified partnership” free from Western “conditionality and hypocrisy.” This narrative strategy challenges not just Western aid effectiveness but the legitimacy of transparency, accountability, and human rights standards themselves.

Chinese state media and diplomatic channels systematically promote stories of Western aid failure while highlighting Chinese infrastructure successes, often obscuring the long-term costs and governance implications of Beijing's approach. This information campaign aims to reshape global perceptions of what constitutes legitimate development partnership, gradually normalizing opacity, elite capture, and authoritarian governance as acceptable alternatives to democratic development models.

Competing visions of development success

The competition between democratic and authoritarian development models rests on fundamentally incompatible theories of what constitutes successful development and legitimate governance. These differences transcend technical questions about project finance or implementation modalities to reflect deeper philosophical divides about state–citizen relationships, transparency as a governing principle, and whether sustainable development requires democratic accountability or merely economic growth metrics.

China's approach defines development success primarily through visible infrastructure delivery and rapid economic growth achieved via state-directed investment without political conditionality. This model explicitly positions Beijing's approach as respecting recipient sovereignty while delivering tangible results that governments can showcase to their populations. The underlying normative framework legitimizes opacity in contracting processes, elite-centered decision-making without meaningful public consultation, and authoritarian governance structures as acceptable—indeed efficient—paths to development. As comprehensively documented by researchers at the Robert Strauss Center for International Security and Law, “China is exporting the tools of authoritarianism,” providing not just infrastructure but surveillance technology, censorship systems, and training in sophisticated methods of political control that erode institutional safeguards while building patterns of technological and political dependence (Greitens et al., 2025).

The Western democratic model traditionally defines development success through sustainable institutions, inclusive growth, and democratic accountability mechanisms. However, this framework faces serious challenges. The “Washington Consensus” of the 1990s produced deeply mixed results, with structural adjustment programs often exacerbating inequality while weakening state capacity. Moreover, Western approaches have themselves become increasingly state-centric and infrastructure-focused, as discussed earlier, while the Trump administration’s dismantling of USAID represents a wholesale abandonment of governance conditionality.

The West’s moral authority is further undermined when democratic governments simultaneously sell advanced weapons systems to authoritarian regimes and allow extractive corporate practices in developing countries. The distinction between democratic and authoritarian development thus lies not in perfect Western practice but rather in the presence of accountability mechanisms—*independent judiciaries, free press, active civil society*—that can expose and pressure governments to address harmful practices. These accountability structures are intentionally absent in the Chinese authoritarian model (Greitens et al., 2025).

These competing visions embody incompatible theories about how societies should organize power, resources, and citizenship. If opacity, elite capture, and authoritarian governance become normalized across the developing world, democratic space contracts globally—not through direct coercion, but through the gradual erosion of expectations for transparency, accountability, and citizen participation. The challenge for democratic development actors is demonstrating that transparent, accountable development partnerships deliver superior long-term outcomes while respecting partner sovereignty.

The paradox of convergence: state-centric development in an era of competition

A striking and underappreciated paradox has emerged in contemporary development practice. Precisely as strategic competition between democratic and authoritarian powers has intensified dramatically, the actual development approaches deployed by these competing geopolitical blocs have shown surprising and accelerating convergence toward state-centric, infrastructure-focused, commercially oriented, transactional models. However, the underlying normative frameworks and governance philosophies animating these superficially similar approaches remain fundamentally and irreconcilably opposed.

The United States has moved decisively toward infrastructure-focused, commercially oriented development finance through the Development Finance Corporation's expanded lending authorities and investment guarantees, as well as additional budgetary requests from the administration. Simultaneously, it is dramatically scaling back traditional grant-based development assistance programs and technical cooperation initiatives that historically emphasized governance reforms and institutional capacity building. The Trump administration's wholesale dismantling of USAID represents not an unfortunate aberration but rather the logical culmination of a longer bipartisan trajectory toward fundamentally abandoning distinctions between development conceived as long-term partnership building versus development reduced to transactional infrastructure deployment serving immediate commercial and geopolitical interests. European approaches have similarly evolved toward what European Union officials explicitly describe as "geopolitical Europe." The Global Gateway initiative is strategically positioned as a transparent, values-based infrastructure alternative to the BRI; It emphasizes large-scale infrastructure projects while maintaining governance standards and transparency requirements that differentiate it from Chinese practice, even as the practical distinctions narrow.

Meanwhile, China has selectively adopted elements of Western development rhetoric and procedural forms, increasingly emphasizing “partnership” language and “mutual benefit” framing while establishing institutions like the Asian Infrastructure Investment Bank (AIIB). The PRC deliberately adopts procedural elements and governance structures resembling established multilateral development banks, even as actual project implementation remains systematically opaque and governance requirements minimal. Chinese development finance institutions have begun including environmental and social impact assessment language in project documentation and loan agreements. However, meaningful enforcement mechanisms remain notably weak, and recipient governments report minimal actual compliance requirements.

This convergence toward state-centric models creates several serious analytical and practical challenges. First, surface-level convergence in project types and financing modalities obscures genuine differences in development approaches. These differences can only be understood through careful examination of actual governance frameworks, accountability mechanisms, transparency requirements, and demonstrated long-term sustainability, rather than through initial project descriptions or financing volumes. Second, the convergence risks what has distinguished democratic development assistance for a long time—its foundational emphasis on institution-building, civil society strengthening, rights protection, and accountable governance. Abandoning these distinguishing features of democratic development assistance in favor of visible physical infrastructure that photographs impressively for political audiences may risk failure to address underlying development challenges or to build sustainable local capacity. Third, the paradox of convergence fundamentally undermines international efforts to articulate why democratic development approaches should be preferred if they increasingly resemble authoritarian alternatives in their emphasis on large-scale state-to-state infrastructure deals and reduced attention to governance reforms.

Implications and opportunities for Sweden and European partners

For Sweden and like-minded European development partners, this convergence, and the intensifying geopolitical rivalry between the U.S. and the PRC, creates both significant challenges and distinctive opportunities. The challenge lies in maintaining principled values-based development approaches when major powers across the entire ideological spectrum have largely abandoned them in favor of commercially oriented, state-centric, transactional models.

The opportunity lies in demonstrating empirically that rigorous governance standards, systematic transparency, and robust accountability mechanisms are not bureaucratic impediments to development effectiveness but rather essential foundations for genuinely sustainable development outcomes. The distinction between democratic and authoritarian development models matters profoundly precisely because governance quality and institutional strength ultimately determine whether infrastructure investments generate broad-based prosperity and enhanced state capacity or merely create new patterns of economic dependency and mounting debt burdens that undermine recipient sovereignty.

Sweden's small size necessitates strategic focus and coalition building but also provides advantages in terms of agility, credibility, and ability to pioneer innovative approaches that can be scaled by larger actors. Sweden's development approach differs markedly from both the U.S. and Chinese models of development finance. Sweden has so far maintained smaller-scale but consistently values-based programming that continues to prioritize civil society strengthening, human rights protection, gender equality advancement, and sustainable institution-building over rapid infrastructure deployment. Sweden's legacy from the feminist foreign policy has established international frameworks and relationships that remain valuable for promoting inclusive development approaches. As of 2018, Sweden was the only country

that allocated close to 80 percent of its financial aid to projects advancing gender equality, with an intersectional approach to aid.

Swedish development cooperation operates largely through multilateral channels and genuine partnership modalities, with institutions like Swedfund pioneering systematic integration of rigorous environmental, social, and governance standards into development finance operations (Swedfund, 2025). Sweden's Swedfund has pioneered the integration of the Environmental, Social, and Governance (ESG) framework in development finance, demonstrating that strong governance standards and development effectiveness are mutually reinforcing. This approach cannot and does not attempt to compete on volumetric scale with Chinese lending or match revised U.S. commercial finance mechanisms. Instead, it offers distinctive and increasingly valuable qualities through sustained commitment to transparency, democratic accountability, and consistent principled standards.

Sweden's position combines several strategic advantages that become particularly valuable in the current environment. Its consistent commitment to multilateralism provides credibility when advocating for international law and institutions that are under pressure from multiple directions. Its technological expertise in digital governance, renewable energy, and sustainable development creates concrete alternatives to Chinese state-controlled technologies.

The European Union's Global Gateway initiative represents an attempt to offer a transparent, high-quality alternative to the BRI, committing USD 300 billion through 2027. However, implementation has been slow, with only a small share of this amount actually disbursed by early 2024, and coordination among member states remains inconsistent. This implementation gap creates space for Sweden to provide leadership in specific sectors where its expertise is internationally recognized, particularly in conjunction with other Nordic countries and through strategic EU coordination.

The current moment creates opportunities for Swedish leadership in several domains. Climate-aligned infrastructure finance and energy sector transitions represent Sweden's most obvious comparative advantages. With proven expertise in renewable energy systems, sustainable urban planning, and climate adaptation, Sweden can partner with initiatives like the G7 Partnership for Global Infrastructure and Investment to deliver projects that demonstrate superior environmental and economic outcomes compared to Chinese fossil-fuel-heavy alternatives. Sweden's energy sector expertise—spanning renewable energy technology, grid infrastructure, energy efficiency, and just transitions—has been successfully deployed through programs like the Sweden–USAID Power Africa partnership (Sida, 2025). This partnership model demonstrates how Swedish technical expertise can be scaled through strategic partnerships to achieve regional impact. Sweden's infrastructure approach can emphasize technology transfer, local capacity building, and governance systems that create lasting institutional improvements.

Digital freedom and cybersecurity leverage Sweden's technological capabilities while addressing one of the most critical battlegrounds for future governance models. Sweden can provide technical assistance for secure, open digital infrastructure that explicitly counters authoritarian surveillance models. This includes supporting regulatory frameworks that protect privacy rights, promote internet freedom, and prevent digital authoritarianism while enabling economic development through digital technologies (Government Offices of Sweden, 2024).

Democratic resilience and civil society support build on Sweden's institutional expertise and international credibility to provide robust support for organizations that promote transparency, accountability, and human rights. This extends beyond traditional civil society support to include investigative journalism, independent digital platforms, and governance monitoring organizations that can provide alternatives to both Chinese information control and declining U.S. democracy promotion capacity.

The strategic imperative involves positioning Sweden as the “go-to” partner for countries seeking development assistance that strengthens rather than undermines their long-term governance capacity and sovereignty. This approach requires sustained commitment, strategic communication, and coordination with like-minded partners to achieve meaningful scale and impact. Given current budget constraints, this positioning is even more critical—Sweden must leverage its reputation and expertise to punch above its weight through strategic partnerships and focused interventions in areas of comparative advantage.

While Sweden has traditionally emphasized multilateral approaches and civil society partnerships, the current competitive environment may require complementing these with more direct state-to-state cooperation channels. Developing pilot state-to-state programs in priority countries could enable more strategic engagement while maintaining Sweden’s commitment to transparent, accountable partnerships.

Strategic priorities for Sweden and like-minded partners

Geographic focus: Increase development investments in Southeast Asia where democratic trajectories remain contested. Several countries offer high-impact opportunities for supporting democratic governance.

Climate-resilient infrastructure: Competitive, climate-aligned infrastructure financing that matches Chinese speed and scale while upholding high governance standards. Rapid-response facilities for e.g. renewable energy and climate adaptation can demonstrate advantages of democratic development models.

Digital freedom: Invest in secure, open-source digital infrastructure and regulatory support that offers credible alternatives to Chinese surveillance technologies. Promoting “digital sovereignty” that empowers citizens.

Multilateral defense: Coordination to prevent authoritarian influence in international institutions by strengthening transparency, democratic decision-making, and early-warning systems for institutional capture.

Strategic communication: Invest in communication that clearly contrast democratic development with authoritarian alternatives. This includes supporting independent media, fact-checking initiatives, and evidence-based demonstrations of successful democratic partnerships.

Data and monitoring systems: Maintain essential monitoring and evaluation systems for health, agriculture, and climate etc.

Integrate security and development: Align development and security strategies without subordinating one to the other. Effective governance, resilience to coercion, and sustainable economic growth are core to both.

Innovation for democracy: Innovation labs dedicated to testing and scaling democratic development approaches, supporting entrepreneurs and reformers to strengthen institutions while addressing concrete needs.

State-to-state cooperation pilots: Maintain multilateral and civil society partnerships, but pilot targeted bilateral cooperation in countries committed to democratic governance, emphasizing transparency and results.

Selective cooperation with the PRC: Strategic competition should not preclude collaboration with the PRC on issues such as climate change, pandemic preparedness, and food security—provided such cooperation upholds transparent and accountable governance.

Conclusions

The current geopolitical environment sits at a fundamental inflection point, where development assistance has become a primary arena for great power competition over the future of global governance. This competition extends beyond traditional geopolitical rivalry to encompass competing visions for how societies should be organized, how citizens should relate to their governments, and how international cooperation should function.

The past decade's transformation of Western development approaches toward more state-centric, transactional models has created conceptual confusion about fundamental differences between democratic and authoritarian development paradigms. The current dismantling of institutions like USAID represents not a temporary policy shift but the culmination of longer trends that have weakened the distinctive value proposition of democratic development assistance.

The stakes extend beyond development effectiveness to the fundamental question of how democratic governance models can demonstrate superior outcomes in an increasingly competitive international environment. Sweden has an opportunity to lead by example, showing that transparent, accountable development partnerships deliver better results for both individual communities and global stability than either authoritarian alternatives or transactional approaches. This is ultimately an existential challenge for democratic space and rules-based cooperation in an increasingly authoritarian world.

The U.S. retrenchment creates strategic vacuums that less democratic actors may exploit. This also creates a significant strategic space for like-minded donors—especially the Nordic countries and the European Union—to step up and lead in shaping inclusive, locally led development agendas. Conversely, however, if this vacuum is not effectively filled by democratic actors, the PRC and other authoritarian powers are poised to expand their influence rapidly and potentially promote corrosive capital and governance models that undermine transparency, accountability, and the very foundations of

a rules-based order. This could lead to a further —and potentially irreversible —fractured global order, characterized by weakened international legal frameworks, diminished multilateral institutions, and a greater prevalence of transactional, power-based interactions over principled cooperation.

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