The Daily Dish

BUILDing Confusion

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Eakinomics: BUILDing Confusion

The Better Utilization of Investment Leading to Development Act, or BUILD Act, would (in the words of lead sponsor Congressman Ted Yoho) “create a new agency that would combine the Overseas Private Investment Corporation and the U.S. Agency for International Development’s Development Credit Authority, as well as expand U.S. development finance capabilities. The new agency will have the ability to make equity investments, have double the capital to invest, and have a grant-making facility for project development and technical assistance.”

The bill is part of the Trump Administration’s effort to compete with China. As *The Wall Street Journal* noted: “The new agency would have broad authority to go toe-to-toe with China in offering countries financing options for major infrastructure and development projects. The bill’s momentum reflects growing bipartisan concern in Washington about the scale of China’s ambitions to restructure global trade routes so that all roads lead to Beijing. Senators have become especially concerned with China’s global investment plan known as the One Belt, One Road Initiative. China, which has flexed development muscle across the globe since it announced its plan in 2013, is thought to be willing to spend and lend trillions of dollars on projects like superhighways, railroads, harbors and ports.” This sentiment was echoed by House Foreign Affairs Chairman Ed Royce.

It makes sense that the United States would like the capacity to counter China’s interest in Latin America with infrastructure projects in the likes of Chile, Panama, Belize, Venezuela, Colombia, Guyana, Costa Rica, Cuba, Ecuador, Grenada, Guatemala, Jamaica, or the Dominican Republic. There is some logic to pushing back China’s effort to monopolize aid among its neighbors such as Singapore, Fiji, Malaysia, Maldives, or Thailand. The same logic applies to African nations such as Botswana or Gabon.

Here’s where the confusion begins. The BUILD Act reads: “The Corporation shall prioritize the provision of support under title II in less developed countries with a low-income economy or a lower-middle-income economy,” where “low-income” or “lower-middle-income” are specific categories of countries identified by the World Bank. None of the countries mentioned above — and others of interest — are in either category.

The BUILD Act does have another clause that seemingly provides an out: “The Corporation shall restrict the provision of support under title II in a less developed country with an upper-middle-income economy unless—(A) the President certifies to the appropriate congressional committees that such support furthers the national economic or foreign policy interests of the United States; and (B) such support is likely to be highly developmental or provide developmental benefits to the poorest population of that country.” But what are the odds that distributional impacts and national security needs coincide exactly this way? And why insert this needless bureaucracy into what is supposed to be a nimble entity?

The BUILD Act would set up a Development Finance Corporation to compete with China and then tie its hands when competing with China. Why? I’m confused.