

ICAS Bulletin

**A Bimonthly Survey of Research and Analysis on China-US Relations
May 29, 2015**

Twice a month, the ICAS Bulletin updates a global audience on American perspectives regarding the world's most important bilateral relationship. Research papers, journal articles, and other prominent work published in the US are listed here alongside information about events at US-based institutions.

Publications

Why the US Needs to Listen to China

Henry Paulson, Jr. and Robert Rubin
The Atlantic, June 2015

<http://www.theatlantic.com/magazine/archive/2015/06/the-blame-trap/392081/>

Two former US Treasury Secretaries argue that both the US and China need to do a better job of listening to one another because the economic complaints that each directs at the other have merit. They urge the United States to ease its export restriction policies regarding dual-use technologies and become more open to Chinese investment, and they encourage China to open its markets to further competition, including from US firms. They argue that continued market and monetary liberalization will help the US and China address common interests and problems (such as increasing income inequality), aid US growth, and help China transition to a more consumer and service based economy.

Developing a Blue Economy in China and the United States

Michael Conathan and Scott Moore
Center for American Progress, May 2015

<https://www.americanprogress.org/issues/green/report/2015/05/13/113063/developing-a-blue-economy-in-china-and-the-united-states/>

This report focuses on how critical marine resource management will be in the future, and proposes ways in which the United States and China can cooperate to safeguard

this future “blue economy.” The authors recommend a joint study of the economic importance of healthy marine ecosystems, joint planning of “Blue technology clusters,” and enhancing bilateral activities for sharing oceanographic data and best practices.

More Willing and Able: Charting China’s International Security Activism

Ely Ratner, et al.

Center for a New American Security, May 2015

<http://www.cnas.org/more-willing-and-able#.VWR8L09VhBc>

This major report discusses the implications of what it argues is a considerable change in Chinese security policy. It finds that because of China’s growing dependence on overseas trade and the spread of its citizens throughout the world, China’s defense policy is undergoing three major changes: a “loosening” of the traditional principle of nonintervention; deepening security partnerships; increasing force projection capabilities. The paper discusses appropriate US responses to these developments, which should both “seize the benefits” of these changes but also “widen” a broader US hedging policy. The paper finds that China’s new capabilities make it a better partner for addressing collective problems such as piracy, proliferation, illegal fishing, and humanitarian crises, but also finds that the United States should “help build a more stable security environment in which China’s security activism occurs.” This means enhancing security relationships with several Asia-Pacific nations and maintaining a “competitive military balance” to limit the “potentially destabilizing effects” of the PLA’s growing capabilities.

Uncharted Waters: Extended Deterrence and Maritime Disputes

Mira Rapp Hooper

The Washington Quarterly, May 2015

<http://twq.elliott.gwu.edu/uncharted-waters-extended-deterrence-and-maritime-disputes>

Hooper explores the difficulties inherent in US security promises to its allies in the South and East China Seas. The author details how American guarantees to Japan or other states involved in maritime sovereignty disputes are an especially challenging form of extended deterrence for three reasons: existing treaties are unclear about US commitments in the event of territorial crises; the relevant territories have very little value to the United States, therefore its commitments to defend them inherently lack credibility; the US attempts to maintain neutrality on maritime disputes because it seeks to cooperate with China in other issue areas. The author suggests that these issues can be addressed by a flexible policy of assisting allies in building capabilities and integrating bilateral crisis management bodies to coordinate defensive operations. Such initiatives could assuage allies’ concerns of abandonment while also reassuring China and allowing the US to maintain a “contingent” or “probabilistic” commitment to intervene on behalf of allies in maritime disputes.

Deterring without Dominance: Discouraging Chinese Adventurism under Austerity

Eric Heginbotham and Jacob Heim

The Washington Quarterly, May 2015

<http://twg.elliott.gwu.edu/deterring-without-dominance-discouraging-chinese-adventurism-under-austerity>

Two RAND Corporation strategists attempt to chart a course between what they see are two untenable but popular policy options: a US strategy of maintaining dominance over Chinese capabilities versus a more withdrawn posture as “offshore balancer.” They argue that maintaining military dominance in the Asia-Pacific is no longer affordable or possible for the United States in the face of growing Chinese capabilities. Moreover, any attempt to surmount Chinese capabilities would increasingly threaten China and increase incentives on both sides to strike first in a crisis. On the other hand, the authors find that an “offshore balancing” approach would undermine confidence in the US alliance system and in turn create other sources of instability. Their solution is a strategy of “active denial,” which would achieve deterrence by removing the prospects for a quickly attainable victory. Because of its focus on denial rather than dominance, it would reduce the problem of crisis instability.

How America Should Respond to China’s Moves in the South China Sea

Congressman J. Randy Forbes

The National Interest, May 26, 2015

<http://nationalinterest.org/feature/how-america-should-respond-chinas-moves-the-south-china-sea-12969?page=2>

Congressman Forbes (US House of Representatives; member, House Armed Services Committee; Congressional China Caucus), argues that the US needs to maintain a firm stance in the face of Chinese “coercion” in the South China Sea. He recommends maintaining a continuous naval presence near disputed features and continuing to assert rights to overflight in the area—in failing to do so the US may tacitly recognize Chinese territorial claims. Forbes argues that a strong US military presence has thus far deterred China from using outright force and coercion on its neighbors, and therefore this policy must be continued. He specifically recommends maintaining US escalation dominance by overcoming Chinese A2AD capabilities, supporting regional allies, and being willing to “intervene decisively in any case of aggression against the US or its partners.”

The Ultimate Irony: Is China the “America” of Asia?

Doug Bandow

The National Interest, May 27, 2015

<http://nationalinterest.org/feature/the-ultimate-irony-china-the-america-asia-12976>

Bandow compares China today to the United States in the 19th Century. He moves on to suggest that the United States would be best served by accommodating China just

as Britain accommodated a rising US over the last two centuries. He discourages American policymakers from pitting US and Chinese interests in Asia against one another considering that most American interests in the region are peripheral, whereas most Chinese interests are vital—especially in the South China Sea.

Events at US-based Institutions

Other Perceptions of China: Views from Africa, Europe, and Latin America

Brookings Institute, May 22, 2015

<http://www.brookings.edu/events/2015/05/19-china-perceptions-africa-europe-lac>

This event featured a presentation of findings by Richard Wike of the Pew Global Attitudes project regarding Pew’s research on perceptions of China around the world. According to Wike, these findings (in PowerPoint form on the Brookings website linked above) show that average people around the world are very cognizant of the issue of China’s rise and the corresponding issue of the United States’ relative influence. Wike observes that the data suggests that Chinese economic power is beginning to yield mixed reactions around the world as people are likely to see both opportunities in engaging with China, but also threats from economic competition. The perception that China will eventually displace the US as the world’s leading power has been growing, but Wike also points out that Chinese soft power seems not to be growing at the same rate as its perceived economic power. One interesting finding is that Europeans widely regard China to be the world’s leading economic power, while Asians widely regard it to be the United States. Wike’s presentation was followed by a discussion on the character of Chinese economic engagement in Latin America, Europe, and Africa.

The Convergence of Marine Science and Geopolitics in the South China Sea

Center for Strategic and International Studies, May 21, 2015

<http://csis.org/event/convergence-marine-science-and-geopolitics-south-china-sea>

This event featured a discussion on the connections between ecology, marine resources, and political issues in the South China Sea. James Borton of Coastal Carolina University emphasized the immense fishing pressures in the region, noting that the South China Sea has the most fisheries in the world and may contain as much as 10% of global fish stocks. Despite this abundance, he finds that the Sea is fished at twice the sustainable rate and has lost approximately half its fish species since the 1960s. John McManus, a coral scientist from the University of Miami, explained the importance of the Spratly reef system to fisheries in the entire South China Sea. He expressed concern that Chinese reclamation activities will degrade the coral structures, causing great environmental damage but also making the features incapable of sustaining infrastructure. Kathleen Walsh of the US Naval War College discussed Chinese initiatives for developing a “blue economy” that links maritime resource management, maritime security, and scientific research communities.

Chinese Politics in the Era of Xi Jinping

Jamestown Foundation, May 22, 2015

Willy Lam discussed his new book on Xi Jinping's political agenda. Lam argues that Xi is pushing for a number of fundamental transformations that move party and state institutions away from the principles of the Deng era reforms. He discussed how Xi has concentrated influence within the presidency and operates more like Mao than his more recent predecessors. Lam shared his suspicion that Xi intends to remain in power for three terms instead of the customary two.

Commentary: The Logic of Capital and Premier Li's Latin American Trip By Xinyue Zhang

China's Premier Li Keqiang just finished his four-nation trip to Latin America during May 18-26, including visits to Brazil, Columbia, Peru and Chile. With a high-level ministerial delegation and one hundred business executives accompanying him, Li has secured multi-billion deals with the four countries—mostly in trade, FDI and credit—across various sectors such as banking, finance, agriculture, aircraft, mining, energy, and above all, infrastructure projects. During Li's visit, China, Brazil and Peru agreed to complete a feasibility study of a transcontinental railroad by 2016, which would run through the Amazon Rainforest and the Andes Mountains, linking Brazil's Atlantic coast and Peru's Pacific coast. Premier Li also expressed China's willingness to contribute to the construction of the inter-ocean tunnel under the Andes, connecting Chile and Argentina if the plan could be materialized.

Compared to its expanding activities in Africa, China's growing presence in Latin America is much less discussed. However, comparisons are often made regarding the fact that China's import and investment in both regions mainly concentrate on primary goods. In addition, China is often depicted as being resource-hungry and having little consideration for the environmental impact and social consequences of its economic activities. Furthermore, the whirlwind visit of Premier Li in Latin America was often viewed as a case of China using its economic power to lure friends and to compete with the US in the latter's traditional "backyard."¹

Regarding the first observation, it seems that both China and Latin American countries have come to terms on the unsustainability of the existing trade and development pattern. Li's visit to Latin America also coincides with the slowdown of China's

¹ "China begins charm offensive in South America amid controversy over Amazonian railway", *The Telegraph*, May 19, 2015, available at <http://www.telegraph.co.uk/news/worldnews/asia/china/11614519/China-begins-charm-offensive-in-South-America-amid-controversy-over-Amazonian-railway.html>, accessed on May 28, 2015;

economic growth, waning demand for bulk commodities, and falling commodities prices which further hit Latin America's economy. It is in the interests of both sides to look for alternative approaches to complement each other's development. On the one hand, trade deals in more value added products such as passenger jets and ore carriers are included among the deliverables. On the other hand, "industrial cooperation" advocated by Premier Li has become the key word, as "China has cost-effective equipment and technology while Latin America needs infrastructure construction and industrial upgrading."

As to the second criticism, the *Economist* is fair to point out that most Chinese companies "have a reasonable record of complying with environmental standards" in Latin America.² Yet it is true that China and relevant states need to balance economic development with environmental protection, labor rights and the wellbeing of indigenous people. Statistics show that "Chinese trade, investment, and finance are increasingly associated with significant social and environmental conflict" in Latin America, especially when quite a few projects are located in the well-known "indigenous and environmentally sensitive" areas.³ However, the nature of capital is the pursuit of profit maximization. It is up to the state and social forces to balance against the capitalist logic, although social equity and environment protection are such complicated issues that barely no developing country has very successful experiences.

Finally, the hyped Chinese competition with the US in the latter's backyard suggests an unfair bias. To begin with, at a broad level, compared with the US and the EU which have been investing and controlling the economic activities in Latin America for decades, China is only a newcomer. Chinese business entities still have a long way to go in learning and adapting to the various and distinct political, economic and cultural environments of Latin American countries. In addition, Chinese products on average are not as technologically advanced and high value-added as the imports from the US. Chinese businesses would need to climb up the "technology ladder" in order to truly pose a threat to their US competitors.⁴ Moreover, surveys over the years by Pew Research Center show that Latin Americans view the US more favorably than they do China. In terms of the impact of China's growing economy, while the majority of those surveyed in Chile and Peru see it in a positive way, views in Brazil are more divided. Surprisingly (or not), more people surveyed in Colombia sees China's economic impact in a negative way. Regarding elements of soft power such as scientific and

² "The Chinese chequebook: Latin America needs to be more hard-headed with its big new partner", May 23, 2015, available at <http://www.economist.com/news/americas/21651889-latin-america-needs-be-more-hard-headed-its-big-new-partner-chinese-chequebook>, accessed on May 28, 2015;

³ "2015 China – Latin America Economic Bulletin", Boston University Frederick S. Pardee School of Global Studies, available at <http://www.bu.edu/pardeeschool/research/gegi/publications/china-latin-america-economic-bulletin/>, accessed on May 28, 2015;

⁴ Thomas Peter Narins, PhD Thesis "The Lure of Chinese State Capitalism in Latin America: Influence, investments and imports" University of California, Los Angeles, 2015. Available at <http://gradworks.umi.com/36/85/3685817.html>.

technological advances, cultural products, business culture and the influence of ideas and customs, the US is performing better than China in every dimension.⁵

In January 2015, President Xi Jinping pledged \$250 billion of investment in Latin America in the coming decade, and set the goal that bilateral trade should reach 500 billion over the same period. China will continue to build on Xi's vision and deepen political and economic ties with Latin America. While China's excess capacity in manufacturing sectors as well as its massive foreign currency reserves need to find new market overseas, Latin American countries need technology, expertise and loan to upgrade their infrastructure and industry, both sides should be able to find plenty of cooperation opportunities. Yet, as China is liberalizing interest rates and the exchange rate of the Chinese Yuan, Chinese capital will be less protected and have to be more careful in overseas investment in order to ensure returns and profits. It seems that the logic of capital will continue to dictate China-Latin America cooperation, hopefully not to the detriment of other values.

⁵ Sources are from Pew Research Center, available at <http://www.brookings.edu/events/2015/05/19-china-perceptions-africa-europe-lac>, accessed on May 20, 2015