



ICAS BULLETIN

Institute for China-America Studies

A Survey of Scholarship on US-China Relations

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.

COMMENTARY

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Publications

The Emerging Political Economy of OBOR

Alexander Cooley

CSIS, October 24, 2016

How will the OBOR initiative change the political and economic order of Central Asia? This report explores the potential impact of infrastructure construction, such as large-scale transport connectivity projects. Cooley raises questions over whether these infrastructure projects can “automatically promote economic development without a nuanced consideration of individual sectors, local political actors, and project governance.” In conclusion, he suggests that scholars and policymakers should focus on the “unique conditions facing participants” as these countries, mostly Central Asian states, make significant decisions regarding their involvement in the OBOR initiative.

Responding to China's Strategic Use of Combined Effects

Thomas Drohan

CSIS *PacNet*, October 26, 2016

This report examines China’s use of strategies that combine “complex forms of confrontation and cooperation.” It describes how China simultaneously employs preventative and causative tools, such as defend and coerce, deter and compel, dissuade and persuade, secure and induce, to exert power and advance national interests. To counter this strategy, Drohan recommends a five-pronged strategy for the United States involving multiple elements of inducement, compellence, and dissuasion.

Understanding Chinese Nuclear Thinking

Li Bin and Tong Zhao

Carnegie Endowment for International Peace, October 28, 2016

Having recognized the “difficult and inefficient” communications between Chinese and U.S. nuclear experts, both authors discuss the critical differences on nuclear thinking between Chinese and US scholars. They point out that such differences do not result from differing security environments and levels of military strength, but from diverse nuclear philosophies and the question of how to use nuclear assets in implementing their security policies. Both authors affirm China’s stance on no-first-use policy for its nuclear weapons, claiming that it is China’s national interest to support international efforts against nuclear proliferation and become more transparent in its nuclear policy.

The End of Collective Leadership in China? Not Really

Cheng Li and Zachary Balin

Brookings, October 28, 2016

The authors takes a close look at the communiqué passed by the Central Committee of the Chinese Communist Party last month. They notice that the communiqué praises the collective leadership as a balance between strength and accountability. This communiqué might be seen as Xi’s move to consolidate his power, a necessary condition for reforms. In reality, the authors see a “seemingly paradoxical, but equally valid, message,” which rejects the possibility that China’s collective leadership will end. They argue the institutions of collective leadership and supervision inside the party will continue to be strengthened but also refined in the coming years.

Motivation behind China’s ‘One Belt, One Road’ Initiatives and Establishment of the AIIB

Hong Yu

Journal of Contemporary China, November 1, 2016

This article examines the strategic motives behind the AIIB and OBOR initiatives, which, according to Hong, will “put China at the center of geoeconomics and geopolitics in the region and beyond” and enhance the economic integration of the Eurasian continent. In addition, these programs will create opportunities for Chinese companies and capital to leverage its strengths in infrastructure development, financial power and manufacturing capacity. While the OBOR initiatives and the AIIB could shape the economic and political landscape of Asia, Hong also raises questions about challenges from both inside and outside that may limit the implementation of these initiatives.

The China Option: Progress in Pyongyang Must Go Through Beijing

Doug Bandow

Foreign Affairs, November 1, 2016

Bandow urges American policymakers to convince China to manage North Korean nuclear proliferation because sanctions and military intervention will not work. To do so, the US will need to listen to Beijing’s concerns and offer support to counter their fears, for example by offering to share the cost of refugees

or withdraw its forces from the peninsula if China accepts Korean unification. In return, China will need to support the US if it offers a grand bargain package to North Korea.

How The Next U.S. President Can Contain China In Cyberspace

Robert Knake and Adam Segal

Council on Foreign Relations, November 3, 2016

This article discusses options that the US government can take to protect American companies from Chinese cyber espionage. Although China has agreed to help the US in investigating cyber crimes, there is little chance that China will halt hacking before the end of the Obama presidency. The authors recommend that the next president implement the plan agreed on by Xi and Obama and “follow the playbook left by the Obama administration, with a redoubled focus on the investigation and prosecution of cybercrime.”

Asian Views on America’s Role in Asia: The Future of the Rebalance

The Asia Foundation, November 15, 2016

This major report provides comprehensive recommendations to the incoming Trump administration for developing its Asia policy, and includes recommendations on the US-China relationship, Asian-US trade, and South and Central Asian security.

Events

Gaining Currency: The Rise of the Renminbi

Eswar S. Prasad

Brookings-Tsinghua Center for Public Policy, November 3, 2016

In this event, Prasad discussed some major points in his recent book of the same name. Prasad talked about the history of the RMB, key factors of China’s economic success, and the rise and international implications of its currency. Prasad argued that the RMB would not challenge the dominant status of US dollar any time soon because, unlike other reserve currencies, RMB has not met the prerequisites of being a safe-haven currency, which is favored by investors in the event of financial market turmoil. Prasad stressed the importance of institutional reforms, claiming the Chinese government needs to carefully handle domestic issues.

Stopping North Korea, Inc.: Sanctions Effectiveness and Unintended Consequences

John Park and Jim Walsh

Brookings, November 7, 2016

Park and Walsh discussed some findings from their study of North Korea’s response to sanctions, especially on how it sets up specific agencies to procure materials from overseas. From the interviews of North Korean defectors, Park found that despite tougher sanctions, North Korean officials pay Chinese middlemen higher commission fees in exchange of “outsourcing of logistics by the private Chinese company to other Chinese companies.” In order to make the sanctions work, Walsh suggested that the

US should work with China in penalizing North Korea's economic activities, while focusing on blocking North Korea's channels for procurement.

Commentary

The Belt and Road Initiative and the US-China Relationship

Alek Chance

The central place of the Belt and Road Initiative (BRI, also known as "One Belt One Road or OBOR") in China's economic and foreign policy is clear. How it fits into U.S.-China relations is much less obvious. Does the initiative signify a new level of geopolitical competition, or does it present opportunities for the United States and China to improve their relationship? A survey of common attitudes in the U.S. reveals a deep ambivalence on this question and a general uncertainty about BRI's broader significance. However, a few clear themes can be identified. By articulating them, perhaps a path forward can become more apparent.

First, American analysts and policymakers constantly raise the issue of standards in Chinese lending and development policy. This is grounded in pragmatic concerns like the environment, but also in worries that China provides a tempting but nonetheless unsustainable alternative to existing lending institutions. The most extreme form of this concern about standards derives from the apprehension that China seeks to create a parallel, illiberal economic or political order that competes with or replaces the so-called liberal international order. BRI raises the profile of this issue of standards at each of these levels.

Second, many American observers of BRI suspect that the initiative is a vehicle for narrow or short-term Chinese interests, or that it isn't a genuinely far-sighted program for developing "win-win" cooperation. Such responses are often informed by the common Western view that China has a record of self-serving or counterproductive behavior in its economic relations with the developing world.

Finally, geopolitical aspects of the U.S.-China relationship significantly frame interpretations of BRI among many Americans. As China continues along its path toward becoming the world's largest economy, it is at the same time perceived to be increasingly assertive, more accepting of risks, and more willing to alienate actors like the United States. BRI is naturally examined in light of these real or perceived trends.

Many of these concerns are legitimate and understandable, as they are grounded in a lack of clarity about China's future direction and its impact on global economic regimes and norms. Indeed, both Chinese and American analysts envision BRI having major geopolitical implications. Regardless of how it is currently viewed by either Chinese or American strategic thinkers, BRI should be seen on both sides as a vital instrument for strengthening habits of cooperation between the two nations.

The current relationship between the United States and China is almost universally described as containing a mix of cooperation and rivalry. Areas of collaboration must provide a counterweight to areas of competition, so both nations have an interest in identifying issues and frameworks that transcend zero-sum geopolitics. In recent years, however, even once positive areas of the bilateral economic relationship have become sources of friction, challenging the assumption that economic interdependence alone can steady the relationship.

One bright spot in this increasingly complicated picture has been the expansion of U.S.-China cooperation to include addressing climate change. Chinese and American leadership in the COP-21 climate agenda has demonstrated the ability of the two nations to engage in positive-sum collaboration to promote a genuine and critical shared interest.

Like climate change cooperation, International sustainable development more broadly has the potential to be a transcending area that serves the interests of China, the United States, and the international community at large. BRI promises to provide global public goods in terms of increased connectivity that can result in improving life in developing countries and opening up economic opportunities for developed ones. The potential secondary benefits include greater international security and bolstered state capacity that follow from development.

Nonetheless, BRI's positive potential often goes unrecognized in the United States. This is in part because it is viewed as an element of a broader strategic competition between the two countries, and in part because Chinese voices have done a poor job of explaining the initiative. Chinese and American policy communities can do more to establish clearer distinctions between areas of genuine competition and areas of shared interest to close perception gaps. This could reveal opportunities for important confidence building.

How should this be accomplished? In China, several points should be considered. First, officials and non-governmental advocates must understand that the "win-win" aspects of BRI and the initiative in general have been poorly communicated to American audiences. It can be very difficult to find comprehensive, authoritative sources of information on BRI in the English language. This can exacerbate perceptions that BRI is intended to exclude the United States.

More importantly, Chinese officials must work to promote high lending standards to demonstrate that BRI complements and advances the achievements of the existing international economic order instead of undermining it. Many Americans are apprehensive that China will challenge existing regimes and norms in ways that weaken developed states or create a race to the bottom in lending standards. Moreover, focusing BRI toward sustainable development and green energy will do much to convince foreigners of China's commitment to a high-standards international order, increase global support for BRI, and reinforce China's efforts to become a global leader.

Finally, Chinese state and non-state actors should take advantage of the American private sector's considerable interest in BRI and improve outreach to this important group. American firms can serve important roles in BRI projects. Their involvement would reinvigorate the bilateral business relationship at a time when sources of friction are multiplying, yet many in the business community complain that information about potential opportunities is hard to come by.

For their part, Americans should view BRI realistically as an opportunity for selectively engaging with China. American interests won't be served by all BRI projects, nor will American involvement be welcomed in all areas. Nonetheless, BRI must not be subsumed by a simplistic and categorical framing notion of competition between the two nations. U.S. policymakers should maintain open minds when assessing the impact of proposed BRI projects on American interest in places like Afghanistan or Central Asia more broadly. American and Chinese interests may overlap considerably in some regions or some issue areas, and this overlap should be exploited.

To help address a variety of policy differences and perception gaps, the U.S. and China should work together to establish a dedicated dialogue forum to discuss environmental, labor, and human rights standards in international development.

Such a dialogue could take place in bilaterally in the S&ED or within a multilateral forum like the G20. The two nations could further build trust through coordinating development priorities. U.S. officials could develop a set of projects as candidates for BRI funding, some of which could then be selected by Chinese officials according to their complementarity to China's interests. This would direct the two nations towards identifying common interests and initiate habits of cooperation in development.

Over the longer term, the two nations should create synergy between their very different, but complementary, strengths in international development. China should recognize that the U.S. has a great depth of experience in developing the "soft" infrastructure necessary for full economic and human development, and for ensuring political stability. This includes governance reform and capacity, health, education and building civil society. Americans should embrace the shorter-term economic impact of infrastructure investment which, when properly paired with an attention to governance and human development issues, is indispensable to generating the domestic motors of long-term sustainable growth.

Finally, both nations should recognize that environmental cooperation has been the signature achievement of U.S.-China cooperation in recent years. Addressing climate change is a key area for cooperation because it represents genuinely shared, critical interests. By expanding these efforts to include creating an environmentally sustainable global economy for the 21st Century and beyond, the U.S. and China can continue this trend of transcending competition while providing global public goods. The Belt and Road Initiative can be an important instrument for carrying out this task.

Like any major initiative, the true impact—and indeed meaning—of BRI will be determined through the course of its implementation as diversity actors engage with it and as Chinese policymakers emphasize different aspects to meet with changing exigencies. While BRI has the potential to contribute to competition between the U.S. and China, it could also be used to enhance cooperation. If this potential is to be realized, the initiative must be engaged and shaped with conscious efforts to meet this end. Americans should thus be clear-eyed about the potential strategic impact of BRI, but also remain alive to the possibilities it presents and not be categorically dismissive or suspicious. Chinese should in turn be responsive to American concerns about BRI, which are shared by many in Europe, India, and beyond. Such concerns identify the scope of potential obstacles and delineate the most productive paths forward.

Alek Chance is a Research Fellow at ICAS. This commentary first appeared on China-US Focus.



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