ICAS BULLETIN

Institute for China-America Studies

A Bimonthly Survey of Research and Analysis 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:

Keys to the Evolution of Regional Order in East Asia

Jiao Shixin

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Past Issues

Publications

US-China Relations in Strategic Domains
Edited by Travis Tanner and Wang Dong
National Bureau of Asian Research Special Report No. 57, April 2016

This major edited volume contains studies on US-China relations in a number of areas, from cybersecurity, space, nuclear stability, and the maritime domain. It also includes "special studies" on military-military relations and foreign direct investment.

Assertive Engagement: An Updated US-Japan Strategy for China
Dennis Blair
Sasakawa Peace Foundation USA, April 2016

Blair explores possible futures for Chinese foreign policy and contends that the likely short-term future trend is toward greater power and assertiveness. As such, he argues that the current US-Japan strategy toward China is inadequate. He puts forward a strategy of "assertive engagement" that contains "assertive" elements such as greater US-Japan coordination and internal balancing capabilities and a commitment to matching China's 'grey zone' activities in

the maritime domain. On the "engagement" side he recommends continuing to increase ties with China on the economic level, both by including China in TPP and supporting the AIIB.

Reefs, Rocks, and the Rule of Law: After the Arbitration in the South China Sea
Mira Rapp-Hooper and Harry Krejsa
Center for a New American Security, April 14, 2016

This report covers the case *Philippines v. China*, which the International Tribunal on the Law of the Sea under the Permanent Court of Arbitration at The Hague will issue a ruling on this spring. The report summarizes the case process and timeline, the issues before the court, the potential outcomes of the Tribunal's decision and as the implications for China, ASEAN, and the United States. The Tribunal will make decisions on fifteen claims that fall roughly into three categories: the Nine-Dash Line, the status of maritime features and their entitlements, and China's activities in the Philippines' EEZ, and the decision will clarify key issues at the core of the South China Sea disputes. The authors predict that the Tribunal's ruling will be favorable to the Philippines on most, but not all, counts. The authors also emphasize that the landmark case may serve as an example for other claimants.

Fixing US-China Trade and Investment
Derek Scissors
The American Enterprise Institute, April 13, 2016

Scissors argues that China's WTO accession, intellectual property (IP) theft, and Chinese support for state owned enterprises (SOEs) have harmed American companies and workers, particularly in the manufacturing industry, rather than the trade deficit or value of the Yuan. When China entered the WTO fifteen years ago, it was expected that the Chinese market would open up to more American trade and investment; however, the variety of subsidies from SOEs and the PRC's protection of its home market, along with IP theft and a lack of transparency have limited this. In response, Scissors argues that the US should not attempt to balance the trade policy or sanction China for having the wrong currency policy. In addition, he argues that the US should not grant China Market Economy Status. Instead, the US should reorient policy to focus on foreign barriers, sanction the beneficiaries of stolen IP, postpone any bilateral investment treaty, improve the environment for good Chinese investors, seek high-quality trade and investment agreements with like-minded partners, and help make American workers and firms more competitive.

2016 US-China Public Perceptions Snapshot Survey
The Committee of 100, April 2016

The aim of this survey, conducted by the Chinese-American organization Committee of 100, is to determine American attitudes toward China and foster a more fact-based dialogue within and between the two countries. The survey reveals that while Americans view cooperation between the two countries as critical and recognize the benefits of increased trade and investment—favorable views of China are at an all-time high—Americans are also suspicious of China's economic, military, and political intentions. The survey reveals that rising levels of distrust, especially around the issue of cybersecurity, threaten to undermine the US-China relationship.

New Neighbors: Chinese Investment in the United States by Congressional District
The National Committee on United States-China Relations and Rhodium Group, April 12, 2016

This latest update of the annual report reviews China's US investments through the end of 2015 and provides a refreshed look at how they have affected the footprint of Chinese companies in each state and congressional district. The updated report reveals that the number of Chinese affiliated companies in the US exceeded 1,900 by year end and the number of Americans employed by Chinese-affiliated companies rose by 12 percent.

Events

Navigating Unsettled Waters: Introducing the Maritime Awareness Project
National Bureau of Asian Research, Washington, DC, April 14, 2016

This event featured a discussion on competing sovereignty claims in the South China Sea, as well as on broader security concerns in the maritime domain. The panels discussed the complex economic, political, and military stakes affected by the South China Sea disputes, in addition to traditional and nontraditional maritime security concerns.

The "Liberal" International Order: Any Room for an Illiberal Rising Power Like China?
Tang Shiping, Sigur Center, George Washington University, April 5, 2016

Professor Tang delivered a lecture on the concept of international order and the "liberal" nature of the contemporary world order. He discussed the conceptual difficulties involved in defining order, and suggested that the contemporary order is in fact liberal only in the sense that it enshrines free trade. Referring to President Obama's remarks about China not "making the rules" in international trade, and given the limited "liberal" nature of the international system, Tang asks, "why not?"

Asian Development, the OBOR Initiative, and US-China Relations
CSIS, April 18, 2016

CSIS's Scott Kennedy and Matthew Goodman were joined by Wang Wen, Zhao Minghao, Wang Yiwei and Yves Tiberghien. This discussion was the culmination of a dialogue on the significance of the OBOR initiative to the US and possibilities it presents for US-China cooperation. The conversation highlighted the fact that little is understood about OBOR in the US, for example, Goodman expressed concern that it was difficult to determine the precise outlines of the program and how it will deal with the non-financing challenges associated with development. Zhao Minghao described how OBOR fits into the larger picture of Chinese foreign policy objectives. Others suggested that OBOR is a useful vehicle for facilitating US-China cooperation and adding substance to the collaborative side of the ledger in the relationship.

Commentary

Keys to the Evolution of Regional Order in East Asia

Jiao Shixin

With the end of the post-Cold War era, the world political center has been transitioning from the Middle East and Europe to the Asia Pacific. This is one of the most important trends of recent times, and is reflected in America's rebalancing strategy, which aims to shift the American global strategic center of gravity from the Middle East to the Asia Pacific. As East Asia becomes the focus of the United States' global strategy, the regional order will subsequently evolve from the post-Cold War era to a new era. While much attention has been given to questions about the global implications of the US-China relationship, it is the regional order of East Asia that presents the most significant challenge of our time. The future of the East Asian regional order will be shaped by interactions between ASEAN, China, and the United States. As fundamental questions about the nature of this order are addressed, US-China relations will be key.

The United States, China, ASEAN and the Future East Asian Order

We must begin by asking, can East Asia really accept China's rise? As China's economy and national power grows, American and East Asian countries have expressed again and again that they welcome a peaceful, prosperous China. In reality, this is not always entirely the case. Objectively speaking, it will take several years to fully accept China's rise. It is understandable that the US and some other countries harbor strategic suspicions towards a rising China. Particularly on issues like the East China Sea and the South China Sea territorial sovereignty disputes, this suspicion translates into a tendency to criticize only China, regardless of what other countries are doing. Criticizing China is beginning to be a conditioned reflex for some

countries. Through this, the US and some East Asian countries demonstrate that they aren't truly comfortable with a rising China. This discomfort leads them to have a certain bias that shapes their perceptions of China's actions.

Next, we must ask, what status should China have in the East Asian order? Finding the right role for a rising China to play will be one of the keys to the success of the future of regional order. Based on its economic rise and its comprehensive national strength, China will take on increased responsibilities and provide more public goods in regional cooperation in the future. China will increasingly put forward its own ideas about regional affairs and will play a greater role. What role should China take on during this transition? Regional leader? Facilitator? Something else? If leadership means undertaking more responsibility and providing more public goods, as China satisfies these criteria, will the region recognize China's leadership status, or even regional predominance? In the domain of economics, this problem is in fact not very far away from us. These questions are also beginning to be posed in the political and security domains.

Many Chinese scholars are reluctant to bring up these questions because once discussed it will be understood that China has the ambition to seek regional hegemony. (In the Chinese view, "hegemony" is a very negative concept to describe a country's behavior.) In my view, China does not seek regional hegemony. Instead, a leadership based on responsibility can be completely distinguished from hegemony. China has already begun to develop a strategy to take on more responsibilities, for example, through the Silk Road strategy (OBOR), building the Asian Infrastructure Investment Bank, and proposing the 2+7 initiative in Southeast Asia. Developing this kind of leadership is a very important issue to China.

Just as critical as the future role of China in regional order is the question of the United States. Chinese scholars like criticizing America's rebalancing strategy in the Asia Pacific region, and often think of it as adding fuel to the fire in regional hotspot issues. However, whether you like it or not, the United States has been successfully involved in the affairs of the Asia Pacific region and has effectively become a member of East Asia. The future order in East Asia cannot exclude the United States. Consequently, what role America should play in East Asia is also a key component of the regional order. According to the United States itself, its fundamental purpose in the "rebalance" strategy is to shape the regional order and pursue regional leadership. The United States has an extensive alliance system in East Asia—Japan, Korea, Philippines, Thailand and more. It combines this network with its predominant security position to dominate regional economic cooperation—see for example, the TPP trade framework. How should the United States play a role? What role should the US alliance system play? What is the leadership that the United States seeks? What will happen to the area? These also are key to build the East Asian order successfully.

Finally, we must ask about the role of ASEAN norms in the future of the East Asian order. During the post-Cold War era, one of the major features of East Asian cooperation was ASEAN's development and improvement of the system of regional norms and rules. When we talk about

China's economic rise, we should not ignore the rise of ASEAN norms and rules. For example, the "ASEAN way" and "10+X" cooperation framework, these norms have become the main framework for East Asia cooperation and diplomacy. At present, although the United States and China have their own regional strategies, ASEAN is still the dominant source of regional consensus. In the future, how the norms of ASEAN and ASEAN Cooperation Frameworks can contribute will be a key factor in constructing the regional order.

US-China Relations: The central Task for Building a New Order

Up until now, the separation of economic cooperation from security cooperation has been an important feature of the East Asian order. However, with the relative changes in national power among the regional countries—including China and US—economic cooperation will be increasingly dependent on security cooperation. If a reasonable regional security order cannot be constructed, the separation of politics and economics will slow the pace of regional economic cooperation.

Let us take the East Asia free trade negotiation process as an example. We often say that East Asia cooperation processes are separated from each other: APEC, 10+1, 10+3, free trade negotiations between China, Japan and South Korea, TPP, RCEP and so on. Cooperation mechanisms are mutually isolated, fragmented, but also overlapping. When we look at these trade negotiations, we see that most of them are affected by geopolitical considerations: competition between trade partnerships is undergirded by and reflective of security competition. Consequently, if we plan to integrate the whole region in a free trade arrangement, we have to establish a reasonable regional security order. Without this, no regional economic order can achieve deep integration. Clearly, the Sino-US relationship is of great importance here. It determines the future of the East Asian security order, thus the effort to cultivate positive US-China interaction is key to the creation of deeper of economic ties in East Asia, and ultimately to the establishment of a deeper regional order.

The concept of the new style of major power relations between China and the US was put forward by China several years ago. From China's perspective, it is aimed at solving the "tragedy of great power politics" which might spring from the security dilemma between the US and the rising China. To realize this vision, the first task is to build a cooperative security order in East Asia. This would entail addressing the potential security problems presented by Japan's military and the Japan-US alliance, East Asian maritime security issues, the Korean peninsula, the Taiwan question and other issues. The successful construction of the East Asian security order is necessary for the integration of various economic governance and trade cooperation mechanism in East Asia. For example, if TPP and RCEP will ever be integrated, the most likely path would be in the framework of APEC. However, many US scholars are suspicious of this initiative, and there is still much work to do in the future.

If China and US are to realize a "new model" of major power relations, they must take the 10+8 (ASEAN+US, Russia, China, Japan, South Korea, Australia, India, and New Zealand) as the main

framework to establish a security order in East Asia. They must integrate the America alliance system into a broader East Asian order, overcome security competition between China and the United States and work to manage and resolve regional hotspot issues such as maritime safety and the maritime territorial disputes. The path to tackling these difficult problems and establishing a security order in East Asia should be envisioned as a framework of "Sino-US cooperation + ASEAN norms."

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