

Two Visions, One Collaboration? Part of a Future for US-China Relations?

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Abstract: With rising US-China tensions in the course of the US presidential campaign, Marc Grossman considers the possibilities for a collaborative relationship and the costs of the alternatives as both nations offer a vision for a new silk road.

Are Beijing and Washington on a collision course? As a candidate, President-elect Trump promised to label China a currency manipulator, instruct the US trade representative to bring cases against China in the World Trade Organization, and threatened 45 percent tariffs if China does not renegotiate trade agreements with the US. The Chinese navy's brazen snatch of a US underwater drone highlights China's continuing military interest in the South China Sea, which is designed to diminish US influence in Asia.

As President-elect Trump addresses trade and the other issues on the US-China agenda, he may want to look for areas where the two countries can find some common ground. One opportunity

worth exploring is the vision promoted by both Beijing and Washington of the need for more economic and infrastructure connections between East Asia, South and Central Asia, the Middle East and Europe.

Two concepts are in play: China's One Belt One Road, or OBOR initiative, described by Dr. Gal Luft as a Chinese "grand strategy" to connect "China and Europe in a web of roads, high-speed rail, power lines, ports, pipelines, fiber-optic lines and other infrastructure with the goal of stimulating growth in scores of developing countries in between" and the more modest, but still important, American New Silk Road initiative, or NSR.¹

In July 2011, then Secretary of State Hillary Clinton spoke in India about the benefits of linking Central Asian economies with those in South Asia, with Afghanistan and Pakistan in the center.² Increased regional economic connectivity, she argued, would promote sustainable economic growth, a crucial part of the effort to defeat extremism. In September that year, the US convened a New Silk Road

ministerial meeting in New York; China attended the session and expressed enthusiasm for the project. Turkey hosted the “Heart of Asia Conference” in Istanbul in November 2011, and, supported by the US and China, the NSR concept became a touchstone for regional cooperation.

Obstacles then emerged. The Chinese decided the name New Silk Road “belonged to China” and so “Historic Trade Routes” would be a better name for the US initiative. In Washington, parts of the bureaucracy opposed the NSR idea, fearing that a “whole of government” strategy might jeopardize their separate budgets and programs. Others in the US government worried that pursuing the NSR vision might require Washington to spend vast amounts of money, which was untrue.

In 2013, Chinese leaders responded to Washington’s timid execution of its own bold vision with a Silk Road initiative made in Beijing: One Belt One Road. OBOR has two main components – a land-based Silk Road Economic Belt and a sea-based Maritime Silk Road – which Chinese leaders believe will together change the geostrategic and geo-economic face of the region. The Chinese also now refer to the plan as the “Belt and Road Initiative” (BRI) to emphasize its scope and the large number of potential projects. The two names are used by Beijing and others interchangeably.

In August 2016, Chinese President Xi Jinping

announced that more than 100 countries and international organizations had committed to participate in OBOR.[3] (http://apjjf.org/#_ftn3) Luft calculates the scope of the program this way: it covers two-thirds of the world’s land mass and 4.4 billion people in 65 countries with a collective GDP of over 2 trillion dollars. If carried through as planned, OBOR investments could total between \$4 and \$8 trillion.⁴

The Chinese maintain that OBOR will be funded initially by \$40 billion from China’s Silk Road infrastructure fund, \$100 billion in Asian Infrastructure Investment Bank (AIIB) pledges, and an initial \$50 billion commitment from the New Development Bank of the BRICS countries – Brazil, Russia, India, China and South Africa – with a promise to increase that to \$100 billion.

The US and Chinese projects are currently on separate trajectories. OBOR is moving ahead and capturing increasing attention from strategists and business people, while no one knows what Mr. Trump will think of America’s NSR, if he ever hears of it.

Three examples highlight OBOR’s continued emergence on the global agenda: First, in the November 19, 2016 edition of *The Economist* the Banyan column notes, “It would be an easy goodwill gesture for Mr. Trump to reverse Mr. Obama’s opposition to American membership in the Asian Infrastructure Investment Bank, and to lend more support to Mr. Xi’s ‘Belt and Road’

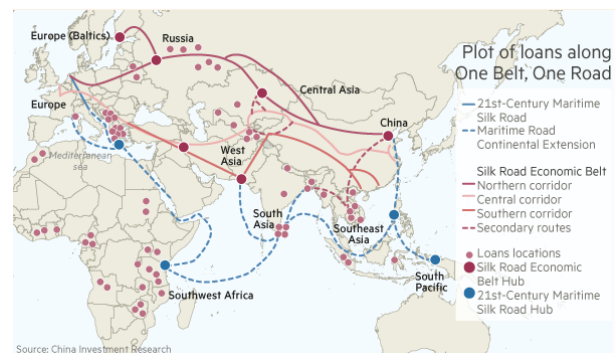
plans for building infrastructure across Asia and Europe.”⁵ Second, Robin Niblett writes in the January/February 2017 issue of *Foreign Affairs* that European governments should take part in OBOR to “create new opportunities for economic growth in both the liberal and the illiberal worlds.”⁶ Third, the *Reconnecting Asia* project, developed by the Center for Strategic and International Studies, has collected data and mapped the infrastructure projects already underway throughout the region.⁷

While American officials maintain that they support OBOR, the US is rightly wary of any project that would enhance China’s military capacity and should remain vigilantly so. And the US cannot match the dollars or yuan the Chinese have pledged to spend.

But with the exception of the State Department’s Office of the Special Representative for Afghanistan and Pakistan (SRAP), most of the US government has treated OBOR, according to Dr. Luft, “as if it does not exist.” Luft notes that, in the U.S. Congress, “not one hearing was held to examine the BRI. The same is true for the US-China Economic and Security Review Commission which was created by Congress to monitor and investigate national security and trade issues between the US and China. The US-China Strategic and Economic Dialogue, the highest level annual ministerial level meeting of the two countries, detailed in its 2015 and 2016 meetings more than 100 areas of bilateral

cooperation but did not mention the BRI even once.”⁸

Beijing meanwhile has worked to keep the initiative front and center of its strategic narrative. The Chinese press continues to cover OBOR, including commentary in December 2016 from the Shanghai Academy of Sciences rebutting “international misinterpretations” of OBOR,⁹ a note from the China Institute of International Studies in December 2016 which lists risks for China from OBOR and ideas to “tackle them,”¹⁰ a call to build a “think tank network in line with OBOR” from the Development Research Center of the State Council (DRC),¹¹ and an argument in June 2016 from the same prestigious DRC that OBOR will promote the United Nations’ 2030 Sustainable Development Goals.¹²



Indeed, it would be a great advantage to the countries where OBOR projects are being built or planned if this important DRC assertion – that the goal of OBOR is to “achieve participating countries’ diversified, independent, balanced and sustainable development” – were to become a

transparent policy objective for everyone involved, including the AIIB and the BRIC New Development Bank. Beijing would enhance OBOR's reputation by asking the UN periodically to assess whether or not OBOR projects are in fact promoting the seventeen 2030 Sustainable Development Goals (SDGs). The US should do the same with NSR. And measuring OBOR and NSR efforts against the SDGs would be an excellent topic for US-China consultations if more collaboration is in fact encouraged. In this case, OBOR/BRI might take a lesson from NSR: many of America's energy assistance programs in Pakistan are designed to promote alternative energy production.

If President-elect Trump were to seek "good deals" for America, here are four advantages which might emerge from more active US support for the OBOR and NSR initiatives.

First, if Washington ignores or opposes OBOR and has amnesia about NSR, it could end up "denying both developing Asia and stagnating Europe an important growth engine while excluding American investors from the benefits of private investment in major infrastructure projects." Failure by the US to engage will open the way for China to guide the future of at least Central, Southeast, and South Asia's geopolitics and geoeconomics, "impacting almost every aspect of US foreign policy including in some of the world's hotspots— the Middle East, South Asia, Eastern Europe and the South China

Sea."¹⁴ Getting back in the game should also mean reversing an Obama policy and joining the AIIB.

Second, Afghanistan. The September 2016 US-China Summit in Hangzhou highlighted Afghanistan as an "area of cooperation." The US and China share an interest in an Afghan state in which al-Qaeda and the Islamic State find no havens, drug exports shrink, and private sector-based economic activity increases. A coordinated OBOR-NSR effort to create what Afghan officials once called an "Asian Roundabout" to encourage a sustainable Afghan economy would promote these shared goals. The recent opening of a rail line from the eastern coast of China to the northern Afghan city of Hairatan, offers Afghan exporters an alternative route to Asia with dramatically reduced transit times. Robert Kaplan presciently captured the thought in his 2011 book *Monsoon* when he wrote, "Stabilizing Afghanistan is about much more than just the anti-terrorist war against al-Qaeda or the Taliban; it is about securing the future prosperity of the whole of southern Eurasia."¹⁴

A third area of potential cooperation is in Pakistan, where China and the US want Pakistan to support regional stability, grow their economy and undermine extremism. China's \$51 billion commitment to the China-Pakistan Economic Corridor (CPEC) is designed to build highways, railways and energy generation in Pakistan,

including a proposed rail and highway between Pakistan's port at Gwadar and China's northwestern region of Xinjiang, which would also connect the OBOR to China's Maritime Silk Road project. Pakistanis hope the corridor will create 700,000 jobs by 2030, which should provide alternatives to extremism for some of Pakistan's 190 million people, a majority of whom are under the age of 22.

Washington and Beijing are already working together in Pakistan on the clean-energy project Sapphire Wind. The US Overseas Private Investment Corporation (OPIC) has provided \$128 million in financing for this 50-MW wind project, which uses General Electric turbines. Under the umbrella of the US-Pakistan Clean Energy Partnership, the US will invest \$70 million on transmission lines to connect a 680-MW wind project in Sindh to the national grid. China is also an investor. In a bilateral contribution to regional connectivity, the US Agency for International Development funded the construction of 111 kilometers of road needed to complete the N-25 highway and link Chaman, on the Afghan border, with Karachi through Quetta in Balochistan.

Fourth, collaborative NSR-OBOR efforts between the US and China can bring benefits to US companies. *The Wall Street Journal* reported in October that General Electric, Honeywell and Caterpillar are already focused on the possibilities. According to the *Journal*, GE's

orders in Pakistan are more than \$1 billion today, compared with less than \$100 million five years ago.[15] (http://apjif.org/#_ftn15) Connecting US firms to OBOR and keeping them aware of NSR opportunities requires a concerted effort by many parts of the US government, including the Departments of State and Commerce, OPIC and the Export Import Bank.

Despite the obvious benefits, there are many challenges to creating an NSR-OBOR nexus. China may in part be pursuing OBOR to control rising wage rates at home by exporting employment and soaking up overproduction in industries like steel. The Chinese might decide to go it alone, especially when comparing the enormous resources they have promised to a small US investment in NSR. President-elect Trump may conclude OBOR is a threat to Russia, which may complicate what seems to be his intent to make an arrangement of some kind with Mr. Putin. Mr. Trump and his team may not be interested in NSR because it was a Hillary Clinton policy. The number of American firms interested in OBOR may be too small to reach critical mass, and those that seek engagement may stand no real chance to work with Chinese companies, especially state-owned enterprises. In September 2016, representatives of 10 Chinese state-owned enterprises visited Washington and New York to promote US commercial interest in OBOR opportunities, but more needs to be done by Beijing to welcome US private-sector

participation and protect US commercial interests, including more transparency and strong protections to guard against violations of the Foreign Corrupt Practices Act.

And where will Iran, a potential OBOR corridor, fit in Washington's world view? If President Trump "tears up" the Joint Comprehensive Plan of Action (JCPOA) nuclear deal, might he use US support for the OBOR-NSR vision to soften the blow, especially among the P5+1 countries who negotiated the JCPOA and of which China is a member?

China and the US share an interest in a more stable security and economic order in the Middle East, and Iran's actions and orientation are central to the region's future. That is partly why China and the US cooperated as part of the P5+1 to negotiate the Iran nuclear deal. While the US has continued with sanctions and has very correctly focused on deterring Iran's provocative and negative actions in the region, China has sought to take advantage of the opening of an energy-rich market with greater political engagement, new rail links through Central Asia, and investments in the oil, communications, and auto sectors, among others. Chinese President Xi Jinping was the first foreign leader to visit Tehran following the lifting of sanctions in January, 2016, and he and Iranian President Rouhani ambitiously committed to increasing trade from \$55 billion to \$600 billion over the next ten years.

China's OBOR initiative envisions Iran as a critical overland link between Asia and Europe. A recently completed railway connecting northwest China to Tehran has significantly cut transit times, and Chinese companies have even floated the idea of a 3,200-kilometer long high-speed rail line for people and cargo. China's ever-growing demand for energy imports also suggests that Beijing will welcome greater energy exports from Iran, which boasts the world's fourth largest oil reserves and second largest natural gas deposits. Will Washington choose to be a player or an observer in this strategic competition?

Another challenge is managing Indian anxieties about OBOR. Many security specialists and analysts in Delhi perceive OBOR not as a development initiative, but as a strategic effort by Beijing to surround India with naval facilities such as Gwadar in Pakistan, Colombo in Sri Lanka and Kyaukpyu in Burma.

The possibilities of joint efforts inspired by OBOR and NSR present the incoming administration with a strategic opportunity to improve US-China ties, advance common security interests, and create economic opportunities for American business. Success would bring tangible benefits to a region where further state failure would surely fuel extremism, a threat to both the US and China. And, not least, there would be something positive on President Trump's already contentious agenda with China.

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Detailed PDF map (<http://apjff.org/data/5003-map.pdf>)

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Notes

¹ Gal Luft, "It Takes a Road," Institute for the Analysis of Global Security. (2016): 1.

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⁴ Gal Luft, "It Takes a Road," Institute for the Analysis of Global Security. (2016): 4.

⁵ "A China-America romance?"

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⁶ Robin Niblett, "Liberalism in Retreat," *Foreign Affairs* 96, no. 1 (2017): 23-24.

⁷ "Reconnecting Asia (<https://reconnectingasia.csis.org/map/>)," *Center for Strategic and International Studies* Dec. 16, 2016,

⁸ Gal Luft, "It Takes a Road," Institute for the Analysis of Global Security. (2016): 9.

⁹ Zhang Youwen, “Clarifying a Few International Misunderstandings Regarding “One Belt One Road”

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¹³ Gal Luft, “It Takes a Road,” *Institute for the Analysis of Global Security*. (2016): 9.

¹⁴ Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2011).

¹⁵ Brian Spegele, “GE Rides the Coattails of China’s Global Dream

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