



TI Observer

Vol.07

TI Observer Volume 07 April 2021

Friend or Foe?

Cooperation & Competition in
China-U.S. Relations (Part I)

by Taihe Institute

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(source: unsplash.com)

Polyphonic Music in U.S.-China Relations: Time to Avoid the Trap's Jaws

About
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China and the United States are regularly represented as two top league teams fiercely competing in the global arena and concurrently falling into the “Thucydides Trap”, as originally forewarned and discouraged by China’s President Xi Jinping in 2015. Today, a number of insightful people still see the shimmer of how China and the U.S. can cooperate. The intelligent choice for matching opponents when making close chase on the running track of human history is to focus on improving themselves rather than tripping over one another.

In somewhat of a relief to Trump’s China policy which featured confusing signals and actions, the Biden administration wants the U.S. to contest with China in a systematic, rule-based, and controllable way. From President Biden to Secretary of State Antony Blinken and National Security Advisor Jake Sullivan, parties acknowledge the complexity of China-U.S. rivalry while seeking an orderly competition that will safeguard U.S. interests. Biden has reiterated that China is not the enemy of the U.S. but its major competitor. This less confrontational stance is important as it draws a clear bottom line for the competition between the two countries.

During its first 100 days in office, the Biden administration has appeared unwilling to confront China, but Trump’s tough-on-China legacy has not yet been dismantled and its toxic influence lingers. Biden’s China policy might be compared to polyphonic music with comprehensive competition as the theme, necessary confrontation as the soprano

and possible cooperation as the bass section. The Congress expedites the writing and passing of bills to better contest with China because suspicion, fear and unfavorable views of the rising power are still prevalent in the U.S. The new administration's policy options are constrained by domestic politics, which have created a low desire and struggling feasibility of in-depth cooperation with China, and an ongoing yield to one upmanship and aggressive competitive actions. If this trend continues, the U.S. may lose the opportunity to forge a relationship with China whereby they can work as partners in dealing with challenges both at home and abroad.



Antony Blinken and Jake Sullivan (source: CNN)

There are far more opportunities for constructive cooperation between the U.S. and China than there are reasons for conflict. Putting world citizens ahead of a single government's agenda will benefit any single government. It is worth noticing that collaboration between the two countries are not merely limited to the few areas such as climate management, non-proliferation and public health. The global economy is like a pyramid where the dominant U.S. sits on top, while China, like the foundational base, supports the structure. The interests of the two countries are so intertwined and inextricable that despite certain unavoidable frictions and even conflicts, there exists more cooperation in value, industry, supply, and innovation chains. It is plain to see that China is the United States' most important partner in the global trading system of dollar dominance. China is the major holder of U.S. Treasury debt and accounts for the largest share of international trade using U.S. dollars. The currency holds worldwide commercial trust which the RMB has yet been unable to achieve. Chinese economic growth is thus promoted, secured and facilitated in U.S. dollars. As a country with a complete industrial chain, China manufactures the largest amount and most abundant types of industrial and intermediate goods. The U.S. develops high technology, exports advanced equipment and provided the largest market it once was. It stands to reason that economic cooperation sustains the progress and growth of both countries.

Extensive cooperation in global governance thankfully already exists between the two countries, however, if disagreements and disputes were to dominate bilateral relations while the above-mentioned areas of cooperation were neglected, Beijing-Washington relations would be perceived as power politics to the detriment of global harmony. Through this lens it is not difficult to see that cooperation has a solid grounding not to be decayed.

National Security Advisor Jake Sullivan co-authored an article “Competition Without Catastrophe: How America Can Both Challenge and Coexist With China” in *Foreign Affairs* September/October 2019 issue in which “coexistence” is proposed as the basis of responses to challenges from, and cooperation with, China. Sullivan believes the two countries should acknowledge the existence of one another over and above their disputes. The U.S. must aim to establish enabling conditions for its coexistence with China in the key areas of military, economic, political, and global governance, maintaining “a steady state of clear-eyed coexistence on terms favorable to U.S. interests and values.” Apart from being overly America-first, Sullivan’s view shines a glimmer of wisdom to guide bilateral relations in the right direction.



(source: freeimages.com)

Undoubtedly, the ultimate goal of both competition and cooperation between China and the U.S. should be conducive to the achievement of respectful coexistence. The two countries must and will co-exist and finding inspired positive ways to do so is not only a sensible goal, but an area of cooperation of utmost importance currently. Only in this way can the two countries escape the fatuous trap of confrontation.

Can China and the U.S. return to *status quo ante* in economic relations?

Cooperation in BRI, Supply Chain Resiliency, IP Rights, Technology Transfer

Interview with Dr. J.M.F. Blanchard

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1. What does foreign direct investment (FDI) in China in 2020 and in 2021 Q1 suggest about interdependence of the Chinese and U.S. economies? In other words, have the external factors like trade disputes and global pandemic had a major impact on bilateral economic relations?

China's attraction of FDI in 2020 and the 1st quarter of 2021 was impressive. Unfortunately, currently available figures for U.S. FDI in China and Chinese FDI in the U.S. in 2020 do not permit us to generalize about the state of U.S.-China economic relations or interdependency. What we do know from surveys by industry associations such as AmCham Shanghai and the American Chamber of Commerce China as well as media reports is that there has been no major outflow of American FDI from China or Chinese FDI from the U.S. However, FDI is but one slice of the overall picture and one also must look at, *inter alia*, trade, portfolio investment, the composition of currency reserves, and business exchanges to evaluate the extent to which the two countries remain interdependent. Even in these areas, no data indicates a notable change in the extent to which the two economies are intertwined. For instance, U.S. imports from China remain very significant and China's holdings of U.S. government bonds remain quite substantial. However, none of this means trade disputes and the global pandemic have not influenced bilateral economic ties. Indeed, investments, trade in high-tech, and stock listings have been adversely affected by both.

2. How do you think each country's industries' stressing supply chain resiliency will affect international trade and globalization?



(source: pixabay.com)

Early on, conventional wisdom was that initiatives to increase supply chain resiliency could only result in diminished international trade and deglobalization. In my view, this reflected overly simplistic thinking. While the U.S. and China seek to do more at home, they appear to recognize that achieving supply chain resilience requires working with countries and multinational corporations near and afar to access

raw materials, parts, and intellectual property (IP). For instance, reports in *China Daily* make clear China's "dual circulation" initiative will profit from the research and logistics skills of foreign companies. In addition, there is an awareness that severing economic bonds --e.g., through export controls, may diminish the generation of resources needed to fund the cutting-edge R&D that supports supply chain resilience. This, at least, is an argument made by American semiconductor industry representatives. Over the long run, it is hard to say what will happen. It depends upon the state of U.S.-China ties, technological developments, resource discoveries, the structure of the U.S. and China economies, and the behavior of American and Chinese FDI. The key point is that it should not be presumed that the search for supply chain resilience only has negative implications for U.S.-China economic links.

3. What kind of opportunities does China's opening-up to FDI offer for cooperation?

In theory, the opening-up of China's financial services industry, education and medical sectors, energy exploration and production, select supply chain areas, and advanced manufacturing will create the space for increased American FDI in China. China's desire to attract more FDI to its central and western regions likewise will fuel opportunities. The actual impact of China's opening in these and other areas on FDI flows and bilateral cooperation will depend upon China's growth, conditions in individual sectors, the nature of the playing field, the regulatory environment, and the alternatives that American firms have (or do not have) elsewhere.

4. Chinese Premier Li Keqiang and a senior official of the National Development and Reform Commission (NDRC) recently told a group of presidents and CEOs of some large U.S. companies that China and the U.S. can cooperate more in economic field, calling on them to directly contact Chinese authorities on forced technology transfers and intellectual property rights issues. What could be the role of U.S. or multinational corporations in increasing or creating new cooperation areas between the two countries?



(source: pixabay.com)

China's efforts to address concerns about IP rights (IPR) as reflected in the statements of top Chinese leaders such as Premier Li, its 2019 Foreign Investment Law, and the yet-to-be-ratified EU-China Comprehensive Agreement on Investment certainly have caught the attention of foreign companies. If businesses judge that the situation has improved to their liking, this could be one factor that leads them to deepen the breadth and depth of their activities in manufacturing, medical sciences, and other technology-heavy sectors in China either individually or in partnership with Chinese firms, research centers, and universities. As far as the U.S. companies themselves are concerned, reduced anxieties about IPR could make them a more positive force in the U.S.-China relationship given that displeasure with the IPR regime in China was one of the factors that led them to press for more forceful U.S. government measures towards China. Still, expectations about the potential positive externalities of China's improving IPR regime should be tempered. First, the IPR regime is evolving. Second, it is just one part of the equation. Third, U.S. companies currently are quite sensitive about extensive cooperation with China given the state of opinion about China in Washington, D.C. and among the American public.

5. One major U.S. think tank has recently published a comprehensive analysis of the Belt and Road Initiative (BRI), first identifying it as a domestic economic policy-oriented project and then calling it a risk to the U.S. interests. In your opinion, what kind of cooperation avenues and opportunities does the BRI offer for bilateral cooperation between China and the U.S.?

There is potential for cooperation across the entire spectrum of the Belt and Road Initiative infrastructure projects ranging from economic viability to environment impact analysis, design and engineering, procurement, construction, project operations, and project financing. This does not mean, though, that the U.S. and

China should aim to cooperate across every dimension of the BRI. This simply is not realistic given that the two countries would face difficulties cooperating in certain countries or in specific sectors such as telecommunications (due to its sensitivity) or high-speed rail (due to the balance of comparative advantages). American and Chinese policymakers should consider discussing countries, sectors, and projects where there might be mutual interests and fit. The likelihood of cooperation would increase further if Washington and American companies corrected their misunderstandings about the BRI's goals, the BRI's state in participating regions and countries, and its implications. For their part, Chinese entities involved in the BRI could lay the groundwork for more cooperation if they more extensively heeded President Xi Jinping's calls at the Second (2019) Belt and Road Forum for more joint consultation and contribution, greater transparency, and adherence to international rules and standards in project development, operation, procurement, and tendering and bidding.

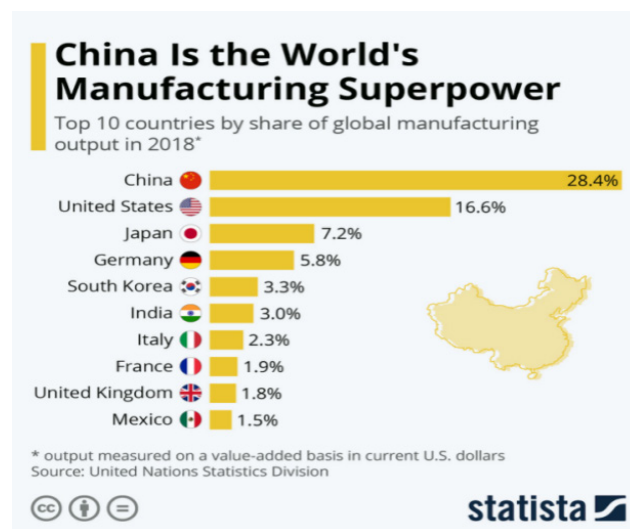


(source: GE)

6. Given recent on-shoring tendency, is the West, or more specifically the U.S., aspiring to be a manufacturing economy?

The U.S. is a major manufacturing economy, though its share of manufacturing as a percentage of total economic activity or versus China's share does not seem large. Nevertheless, it is true Washington wants more manufacturing to be done "at home" for national security, job "quality," and other reasons. While U.S. manufacturers are highly productive in many areas, there are other areas where reshoring will be infeasible due to cost factors, the absence of suitable domestic supply chains, or

regulatory hurdles. Consequently, China will remain the manufacturing locale of choice. What does not seem to be recognized is that there are geographic areas or industrial sectors in the U.S. where China could bolster U.S. manufacturing, with gains also accruing to Chinese firms in terms of market access, the acquisition of know-how, and branding. Chinese investors need to realize that the Committee on Foreign Investment in the United States, better known as CFIUS, and even Washington's heated political environment do not *prima facie* constitute insurmountable barriers to such FDI, assuming that it avoids sensitive sectors like, for illustrative purposes, semiconductor equipment manufacturing.



(source: statista)

7. Is there any way or areas to return to *status quo ante* in U.S.-China trade, investment and other economic relations?

If we are talking about the numbers, it is conceivable that trade or FDI flows could return to pre-Covid or pre-Donald Trump presidency levels. There is very little possibility, though, of the background political milieu returning to its earlier form because the attitudes and capabilities of China and the U.S. as well as American and Chinese companies have changed notably. Moreover, the world is not the same as in 2019 or 2015--U.S.-China frictions over the BRI, export controls, investment policies, tariffs, and global economic institutions, among others, have emerged or intensified. Besides, important international economic actors like the European Union, India, or Brazil no longer view China or the U.S. in the same way as before. The slim potential for a return to the economic "status quo" is discouraging. One hopes, nonetheless, that policymakers will try to put the economic relationship on a better or, at least, more stable path.

Friend or Foe?

Cooperation & Competition in China-U.S. Relations (Part I)



(source: unsplash.com)

1. Introduction

China and the United States continue to pursue diverging foreign policies as each nation seeks to protect its own interests, solidify its place in the evolving world order, and restructure international relations in the 21st century. Issues regarding international trade, intellectual property, and technology governance continue to plague the relationship between the two powers. As recently as March 2021, the world witnessed high ranking foreign affairs officials trade accusations and lambaste each other on the world stage in their dialogue in Anchorage, Alaska.

Despite the apparent continuation of the unraveling of ties between the U.S. and China, opportunities to stabilize and rebuild the relationship between these two countries are still available. The United States and China may not share identical stances or interests on many issues, but there is common ground and a willingness to work together on some of the most complex issues facing the world today. While the resolution of one single issue will not resolve the differences between the U.S. and China, greater engagement, improved communication, and a willingness for reconciliation can ultimately guide the two countries to a path of coexistence. Ultimately, improved cooperation between China and the United States will not solely benefit the people of each country, but their allies and future generations that will benefit from a more stable world order.

As China-U.S. relations are of immense importance and at a critical juncture, TI Observer will be covering "cooperation" and "competition" themes in bilateral relations in different issues, with the April and May issues focusing solely on "cooperation" as the world needs it more than ever and the June issue analysing "competition."

2. Overview of Possible Areas of Cooperation Between China and the U.S.

Despite some frosty talks, Alaska meeting still represents a dialogue between China and the U.S. and showed that there are a number of areas both sides can substantially cooperate on. The climate agreement reached between the two sides following a visit by U.S. Special Presidential Climate Envoy John Kerry to Shanghai in mid-April is further proof of it. As both countries are the world's biggest carbon emitters, their collaborative approach to the climate issue beyond words would surely resonate with the rest of the world, creating a substantial area for universal cooperation.

2.1 Climate, Environment and Decarbonizing the Global Economy

U.S.-China cooperation on climate change proved to be essential for the global climate movement in the past, particularly in clinching the Paris Agreement. The groundwork for the relationship was laid during then U.S. Secretary of State Hillary Clinton's first trip to China in February 2009. It made further progress with the establishment of the new U.S.-China Climate Change Working Group supported by then Secretary of State

John Kerry,¹ and was finalized with an historic joint announcement by Presidents Xi Jinping and Barack Obama in Beijing in November 2014. Such cooperation eventually led to the adoption of the Paris Agreement on December 12, 2015 at COP21 in France. However, the U.S.-China climate relationship took a more drastic downward spiral when President Trump took office in 2017.² During the Trump era, it was China who took a leading role to combat climate change and carried the global climate movement forward.



(source: climatevisuals.org)

Under the Biden administration, which brought back the U.S. to the Paris Agreement, the original climate cooperation agreements between Beijing and Washington have partly become operational again. This cooperation process acts as an important catalyst for both countries improving their relationship and opens up new avenues to expand the

cooperation. Their mutual goal to cut down carbon emissions and invest in green energy infrastructure could allow for further joint climate action and complementary policies. However, before the climate relationship between the two countries can fully resume, the Biden administration will need to take some meaningful actions to bring Beijing to the drawing board. To start with, the U.S. needs to find a middle ground to halt further decay in broader bilateral relations and should establish a new relationship model together with China under which both sides can peacefully coexist. Climate change can serve as such a middle ground. The latest Shanghai climate agreement between the two sides is an important step in the right direction.

Second, the Biden administration needs to introduce practical policies that can reflect its renewed commitment to transforming the climate landscape. The Obama era, which was characterized by the administration largely acting on its climate promises, encouraged the other countries to do the same by implementing its policies. The Biden administration will need to do the same.

¹ U.S. Department of State, "U.S.-China Climate Change Working Group Fact Sheet," July 10, 2013. <https://2009-2017.state.gov/r/pa/prs/ps/2013/07/211768.htm>

² Todd Stern, "Can the United States and China reboot their climate cooperation?" *Brookings*, September 14, 2020. <https://www.brookings.edu/articles/can-the-united-states-and-china-reboot-their-climate-cooperation>

Climate change is interconnected with the technology race, which partly defines the current U.S.-China relations, setting new battlefronts to lead the technology race and global dominance in this area.³ However, the same U.S.-China Climate Change Working Group can be utilized as a foundation for both nations to build new and expanded cooperation. The working group can serve as a central platform for the U.S. and China to share necessary information on their decarbonization plans and work together on developing clean energy technologies and policies.

China and the U.S. are the largest emitters of CO₂ globally, and their climate relationship is critical for lowering compliance costs of climate mitigation and adaptation and moving international climate negotiations forward. But the U.S.-China relationship is different from what it was four years ago, especially on climate action. In its effort to combat climate change, the U.S. took a technology-oriented approach, including the launch of four multilateral initiatives on technology cooperation and the Asia Pacific Partnership for Clean Development and Climate (APP). China is a crucial participant in these initiatives and a partner to the APP,⁴ and these have had a significant positive impact on climate action. The special climate envoys of both countries, Xie Zhenhua and John Kerry, can display the same cooperation that led to the adoption of the Paris Agreement in 2015 to achieve future carbon goals. Equitable distribution of mitigation duties is the basis for cooperation on carbon reduction. The specific rule book for carbon market linkage is thus key to successful implementation.⁵



John Kerry (source:CNN)

The latest Shanghai climate cooperation agreement reached by Beijing and Washington during U.S. Special Presidential Climate Envoy John Kerry's visit to China is an encouraging development and a good model of cooperation between the two sides especially at a

³ Deborah Lehr, "Even Climate Change is a Fraught Area for U.S.-China Cooperation," *The Diplomat*, March 20, 2021. <https://thediplomat.com/2021/03/even-climate-change-is-a-fraught-area-for-u.s.-china-cooperation>

⁴ Zhongxiang Zhang, "China, the United States and technology cooperation on climate control," *Environmental Science & Policy* 10, no. 7-8 (2007): 622-628.

⁵ Kun Zhang and Qiao-Mei Liang, "Recent progress of cooperation on climate mitigation: A bibliometric analysis," *Journal of Cleaner Production* 277 (2020).

time when there is much talk about competition. China and the U.S. “are committed to cooperating with each other and with other countries to tackle the climate crisis, which must be addressed with the seriousness and urgency that it demands,” said the statement issued on April 18 after two days of talks in Shanghai. John Kerry called the language of the statement “strong”, saying Beijing and Washington agreed on “critical elements on where we have to go.”

Su Wei, a member of the Chinese delegation at the talks, said that a major accomplishment of the talks was “restarting the dialogue and cooperation between China and the United States on climate change issues.” Su added that Beijing and Washington reached a consensus on key areas for future cooperation on climate issues.

During the Trump era, climate policy was regarded as a factor to deepen the chasm between China and the U.S. rather than bridge it. But, with Shanghai agreement, both sides are now setting a good example of cooperation in tense times. It has even led to China’s participation in a (virtual) leaders summit as Beijing announced on April 22 that President Xi Jinping would attend the Leaders Summit on Climate hosted by U.S. president Joe Biden. The next step will surely be how the countries involved in climate action go beyond words and engage in concrete actions on this vital issue for mankind.

2.2 Science, Space and Cybersecurity



(source: China National Space Administration)

Over the past two decades, U.S.-China relations on **space** programs have been entirely independent. This can be attributed to U.S. policies: Since 1999, U.S. export controls have served as a blockade to commercial, academic, and government exchanges between the two countries’ space programs. Since 2011, the severity of these policies has dramatically increased thanks to what is known as the “Wolf Amendment” in the U.S. Congress, preventing bilateral interactions between NASA and the China National Space Administration (CNSA) on civil and scientific topics.

While both countries have now the world's leading space programs, the U.S. maintains the lead and is likely to continue its dominance in the decade ahead.⁶ However, space is an area that imposes cooperation on both sides inescapably. China's Global Times reported on March 31, 2021 that the CNSA confirmed to the state-run daily that NASA held working-level meetings and communications with the Chinese space agency from January to March 2021 on exchanging data to ensure the flight safety of Mars spacecraft. It is likely that both sides as frontrunners in space exploration will engage in more information-sharing and possible scientific collaboration in space in the future.

Cyberespionage problems have, since the early 2000s, complicated the relationship between the U.S. and China. To combat the espionage issue between the two countries, Beijing and Washington reached a bilateral cybersecurity agreement in 2015 to mainly prevent the theft of intellectual property and trade secrets. However, the Trump administration questioned the effectiveness of the agreement. Yet, both sides managed to hold a high-level security dialogue despite the strained relations even during the Trump era. The 2015 deal is a significant landmark in China-U.S. relations and can be leveraged for future cybersecurity agreements.⁷ China has also called on the U.S. to "meet China halfway in jointly safeguarding the two countries' momentum for cooperation and communication in the realm of cybersecurity." It is noteworthy that the China-U.S. Agreement on Cooperation in **Science and Technology** signed in 1979 was one of the first deals between Beijing and Washington after they started to normalize their diplomatic relations. This underlines the potential of this field for cooperation between the two countries.

China and the U.S. are now each other's biggest international peers in co-authored papers, according to the U.S. National Science Foundation. The two sides have also benefited from conducting joint research in such cutting-edge programs as Daya Bay Reactor Neutrino Experiment, electron positron collider and nuclear fusion experiments.

A robust science and technology cooperation between the two countries is of major significance for global scientific progress in fields like genome research, quantum computing and space science.

Science and technology collaboration is one of the underpinnings of the overall

⁶ Mathew Daniels, "The history and future of U.S.-China competition and cooperation in space," John Hopkins Applied Physics Laboratory, 2020.

⁷ Celia Louie, "U.S.-China Cybersecurity Cooperation." *University of Washington*, September 8, 2017. <https://isis.washington.edu/news/u-s-china-cybersecurity-cooperation>

China-U.S. relations and the ramifications of blocking such cooperation and bullying Chinese tech firms have already been seen as the global chip/semiconductor shortages hit hard many industries worldwide. Science and technology is not a field for a zero-sum game.

Thus, with the rate at which information technology is developing, it is in the interest of both countries to choose cooperation rather than confrontation to avoid risky outcomes of any self-damaging competition. In a world of expanding interdependence, the best way to boost science and technology development is surely through cooperation.



(source:pixabay.com)

2.3 Global Pandemics, Public Healthcare and Building a Global Disease Surveillance Network

Starting from 2004, leveraging existing technical exchanges and training programs, the United States Centers for Disease Control and Prevention (CDC) and the Chinese National Influenza Center (CNIC) initiated cooperative agreements to build capacity in influenza surveillance in China. Through this collaboration, China improved its capacity in influenza prevention and control. Since 2004, the influenza surveillance and response system has expanded in size, capacity, and function and has improved the quality of its testing, use of data, and disease management, prevention, and treatment capabilities.⁸ The U.S. is the world's largest funder of medical research, drug development, medical equipment, and technologies. China has since followed suit, increasing its funding for national and global research and development, benefiting all partners in the cooperation. Between 2012 and 2018, China grew to become the U.S.' largest scientific research partner, second only to the European Union.

⁸ Shu, Yuelong, Ying Song, Dayan Wang, Carolyn M. Greene, Ann Moen, C. K. Lee, Yongkun Chen et al, "A ten-year China-U.S. laboratory collaboration: improving response to influenza threats in China and the world, 2004–2014," *BMC Public Health* 19, no. 3 (2019): 520.

Telehealth and telemedicine have, for years, been crucial to increasing access to and decreasing the costs of healthcare, and in covering areas where traditional medical institutions cannot reach. Before the outbreak of the global pandemic, the growth of telehealth was restricted in the U.S., due to the various health regulations and policies. However, with the COVID-19 pandemic, the advantages of telehealth have been self-evident. As experienced in recent years, traditional health systems are having trouble in managing growing patient demands and an aging population as well as increasing medical costs. They also face difficulties in containing the rapidly growing prevalence of chronic diseases and handling public health emergencies. With the global pandemic magnifying these various issues, the U.S.-China health system collaboration has been employing telehealth to facilitate physician-to-physician communications and enable medical teams to participate in direct-to-patient virtual services, overcoming regulatory uncertainties and barriers.⁹



(source:pixabay.com)

Despite their stark difference in historical and cultural backgrounds and context, it is now imperative for the medical and healthcare systems of the two countries to collaborate. They both have the capability, resources and talent to combat and contain future epidemics and to further advance the worldwide medical and healthcare standards. This is evident from China's provision of over 2.46 billion masks and about 5,000 ventilators, and hundreds of millions of other PPE items to the U.S. by April 20, 2020. However, the global supply allocation has been impeded by factors outside manufacturing, including transportation, varying certification standards among countries, route disruptions, and supply cancellations. Thus, the U.S. and China must reinforce the weak global health supply chain and set up globally recognized standards, within a possible disease surveillance platform, which could lead global responses in the future.

⁹ Yumi Gu, Yawei Kong, Benjamin H. Seo, and Heitham T. Hassoun, "COVID-19 and global healthcare: Implications for U.S.-China collaborations," *Beckers Hospital Review*, February 2, 2021. [Public-health/covid-19-and-global-healthcare-implications-for-us-china-collaborations](https://www.beckershospitalreview.com/public-health/covid-19-and-global-healthcare-implications-for-us-china-collaborations)

2.4 Poverty Alleviation and Food Safety & Security



(source:climatevisuals.org)

As the largest developing country globally with a population of about 1.4 billion, China had been stricken by poverty in a scale and level of severity unseen anywhere else. However, as this year marks the 100th anniversary of the founding of the Communist Party of China (CPC), the country has achieved eradicating extreme poverty as it was one of the top priorities of the Party's agenda.

Since he took office, China's President Xi Jinping has supported the national poverty reduction programs giving full backing to the country's paramount poverty-alleviation campaign. The funds allocated to poverty alleviation from the central budget more than doubled in recent years.¹⁰

Through its public-private partnership with the World Food Program and the U.S., the Chinese government has been further developing partnerships with civil society organizations and companies that can provide financial and technical support in food-insecure areas. As an example, the Agriculture and Food Partnership (AFP) is a public-private platform created in 2013 as an extension of the U.S.-China cooperation on food and agriculture, aimed at connecting the two countries' public, private, and non-governmental organizations across the agricultural and food supply chain to develop mutual food security, food safety, and agricultural sustainability. It also promotes cooperative activities between the U.S. and China, optimizing practices in both countries.

The U.S. Food and Drug Administration (FDA) should also enhance collaboration with Chinese food authorities, help the country's regulators to understand the impact of the Food Safety Modernization Act on their food industry, and build confidence in laboratory work.

The U.S.-China cooperation on food security also takes place under the umbrella of international organizations. China has explored to bolster its food security and safety through its collaboration with the Food and Agriculture Organization (FAO) to obtain technical assistance in order to realize a "zero hunger" world. The FAO signed an

¹⁰ Camille Boullenois, "Poverty alleviation in China: The rise of state-sponsored corporate paternalism," *China Perspectives* 3 (2020): 47-56.

MoU with the Chinese government in 2012 to deepen mutual cooperation to fight hunger, increase agricultural production, and improve rural livelihood. In 2019, China and the FAO commemorated the 10th anniversary of the establishment of the FAO-China South-South Cooperation (SSC) Trust Fund and its achievements.¹¹

China has made great strides in reducing hunger and malnutrition across its vast territory and has been relentless in achieving its goals to ensure food security and safety within the country. However, it still faces hurdles in successfully extending its national poverty-reduction program to some marginalized communities in remote areas. To overcome such difficulties, it has entered many cooperation agreements with international organizations and provided support to end poverty in many underdeveloped countries, which underlines the importance it attaches to the theme of cooperation.

Furthermore, the post-pandemic food industry offers major opportunities for future China-U.S. cooperation. From securing food supply chains to food insecurity crisis, Beijing and Washington cooperation can surely help overcome “nobody is safe until everybody is fed” mantra.

2.5 Green Energy



(source:climatevisuals.org)

China and the U.S. have conducted bilateral cooperation on renewable energy technologies and policy, which has been carried out through official government channels in the selected universities and NGOs. Over more than two decades, the China Environment Forum (CEF), an extension of the U.S.-China cooperation on energy, environment, and sustainable development

challenges, has been the main platform to bring together policy, business, research, and NGO practitioners to discuss the most pressing pollution, water and energy issues facing China. Both sides have also established \$150 million U.S.-China Clean Energy Research Center funded in equal parts by Beijing and Washington.

¹¹ Food Agriculture Organization, *FAO + China: Partnering for sustainable food security* (Rome: Food Agriculture Organization of the United Nations, 2019).

In 1979, the U.S. Department of Energy (DoE) and the Chinese State Development Planning Commission (SDPC) signed an MoU for Bilateral Energy Agreements, which includes 19 cooperative deals and serve to bolster renewable energy development, promote energy efficiency and conservation, and cut down emissions from coal-based power generation. The DoE also signed agreements with several government agencies in China to create a plan for mapping the country's renewable energy resources and developing financing strategies for U.S. renewable energy projects in China.¹² Further agreements were later signed by the U.S. Department of Agriculture (USDA) and DoE with China's National Development and Reform Commission (NDRC) to enable collaboration on biomass and feedstock production and sustainability, conversion technology and engineering, bio-based product development and standards, as well as rural and agricultural development strategies. At the beginning of the last decade there was a dramatic increase in the number of bilateral clean energy and climate change agreements signed between the two countries although there has been difficulties in implementation, not to mention the Trump era setbacks.

“Cooperation between the United States and China can greatly accelerate progress on clean energy technologies, benefiting both countries,” said Steven Chu, former U.S. Secretary of Energy (2009-13) and a Nobel laureate. “We are committed to working with Chinese partners to promote a sustainable energy future. Working together, we can accomplish more than acting alone,” he added.

With the Biden administration, bilateral cooperation on clean energy is expected to start again. Calls for a more engaging global collaboration on energy efficiency, renewable energy, and clean energy technologies are growing worldwide. The current achievements by China on green energy technologies set a standard for many countries to follow in the coming years. Whether the U.S. will choose cooperation or competition in this field will set the stage in achieving sustainable energy for all in the years to come.

2.6 Cooperation on Regional Hotspots

As seen in the past, the election of a new U.S. president always prompts mixed blessings and reaction. The swearing-in of Joe Biden as the new U.S. president in January 2021 was no exception.

¹² Herman Huang, “The Power of Renewables: Opportunities and Challenges for China and the United States,” *China Review International* 17, no. 2 (2010): 220-223.

The United States' return to engagement with such initiatives as the Paris Agreement, the World Health Organization, and possibly the Iran nuclear deal has been applauded. However, its strategic approaches to critical security issues from North Korea to Myanmar to the Middle East, among others, demand scrutiny. If Washington chooses to confront any powers, especially China, it will be counterproductive and mirror the Donald Trump administration's trade and security antagonism. However, there are many flashpoints for which the two countries can cooperate rather than compete to facilitate peaceful solutions. Below are some regional hotspots demanding U.S.-China cooperation and constructive approaches.

1-Myanmar

Over 500 people have been killed in Myanmar since February 1 in a struggle between the military and civilians.¹³ While the Association of Southeast Asian Nations (ASEAN) is constrained by its non-interference principle, the extended process of finding solutions at the United Nations (UN) Security Council and other fora only increases casualty records. Blame games over whom should be held accountable is an outdated approach for superpowers, especially the U.S. and China, and it will not help advance their global roles.

No party has managed to resolve the Myanmar crisis over the last two decades, largely due to its complex historical roots and internal ethnic divisions. The approaches of China and the U.S. to the crisis diverge: China prefers gradual adjustment through economic diplomacy¹⁴ while the U.S. seeks speedy liberal regime change. In general U.S. sanctions, or the threat thereof, packaged as part of its human rights and democracy safeguarding mission, have proven counterproductive and often buoy anti-U.S. sentiment in countries such as Iran, Syria, and North Korea. Likewise, China's soft economic diplomacy can delay solutions to conflicts which hinders the ambition of its Belt and Road Initiative,¹⁵ deteriorate Chinese investment climates,¹⁶ and, in the case of Myanmar, disrupt its access to the Indian Ocean.¹⁷

13 AFP, "Myanmar crackdown death toll passes 500," *Bangkok Post*, March 30, 2021, <https://www.bangkokpost.com/world/2091959/myanmar-crackdown-death-toll-passes-500>.

14 Jaesoo Park, "Myanmar's Foreign Strategy Toward China Since Rohingya Crisis: Changes, Outlook and Implications," *Journal of Liberty and International Affairs* 5, no. 1 (Aug 2020): 21.

15 Nan Lwin, "Chinese Foreign Minister Visits Myanmar to Speed Up Belt and Road Projects," *The Irrawaddy*, December 09, 2019, <https://www.irrawaddy.com/news/burma/chinese-foreign-minister-visits-myanmar-speed-belt-road-projects.html>.

16 Rory Wallace, "Myanmar Crisis Drags China into Chaos After Factories Torched," *Asia Nikkei*, March 16, 2021, <https://asia.nikkei.com/Spotlight/Myanmar-Coup/Myanmar-crisis-drags-China-into-chaos-after-factories-torched>.

17 Hunter Marston, "Has the U.S. Lost Myanmar to China?" *The Diplomat*, January 20, 2020, <https://thediplomat.com/2020/01/has-the-us-lost-myanmar-to-china/>.

China and the U.S. must take into account certain factors in seeking a cooperative solution to the Myanmar problem. First, the root of conflict can be seen as not purely political but also ethnic, as there have been ethnic rebellions for respective autonomy. Second, the military junta is not currently subordinate to the will of any outsiders. While the U.S. and its allies are threatening sanctions and issuing condemnations, China is also backing calls for the military to release of elected State Counsellor Aung San Suu Kyi and for a return to democracy.¹⁸ A strategic engagement by the U.S. and China could be framed by the U.S. calling on civilians and China calling on ethnic groups for dialogue with the junta, which would prevent any third parties fueling their confrontations by backing the current civil disobedience. While the junta seeks to hold onto power, its ultimate goal is arguably a stable Myanmar with controllable territory and minimized aspirations for ethnic autonomy.



(source:CGTN)

The fact that during Aung San Suu Kyi's democratic rule, between 2016 and 2021, Western leaders and commentators condemned the persecution of Myanmar's Rohingya suggests that Western solutions are not fit for this ethnically divided Asian state.

China and U.S. should, therefore, work together as coordinators for unification rather than as the enforcers of any particular value or doctrine that may not fit with the realities of Myanmar. A U.S.-China cooperative effort to bring peace to Myanmar would deprive all parties of external leverage and encourage them to negotiate. A neo-realism lens is also applicable here: China and the U.S. could jointly work

18 Pamela Falk, "China Backs U.N. Statement Condemning Myanmar Military's 'Violence Against Peaceful Protestors'," *CBS News*, March 11, 2021, <https://www.cbsnews.com/news/myanmar-news-coup-un-security-council-china-condemns-junta-violence-deaths/>.

at regional (ASEAN) and global (UN) fora to convince other states under their respective influence to help construct a positive atmosphere in and around Myanmar, by coordinating, lobbying, mediating, or at worst pressuring the parties to drop violence for dialogue. The present unrest in Myanmar is partly fueled by the regional political differences around its borders. With possible regional and global reactions in the same fashion, the junta, which has pledged to hold re-elections, would no longer find any reason for clinging onto power as it has been doing in the vacuum left by the deadlock at ASEAN and the patronizing approaches of the West.

2-North Korea

The historic summits between Donald Trump and Kim Jong-un in 2018 and 2019 were symbolic rather than substantive; concrete objectives did not materialize.¹⁹ A shared Washington-Beijing approach to dealing with Pyongyang seems inconceivable given their traditionally competing strategic interests in the peninsula since the 1950s. However, examining the current global context suggests a slightly different story. It is conventionally believed that China has substantial influence on North Korea, but Pyongyang is only likely to soften its behavior if the right incentives are provided by Washington, not Beijing – that is, if the U.S. lifts sanctions and quits the Washington-Seoul military alliance.²⁰



Kim Jong-un and Donald Trump (source:BBC)

19 J.R. Evans Revere, "North Korea's Economic Crisis: Last Chance for Denuclearization?" *Brookings*, February 26, 2021, <https://www.brookings.edu/research/north-koreas-economic-crisis-last-chance-for-denuclearization/>.

20 Lara Jakes and Sang-Hun Choe, "North Korean Threat Forces Biden Into Balancing Act with China," *The New York Times*, March 16, 2021, <https://www.nytimes.com/2021/03/18/world/asia/biden-north-korea-china.html>.

The Biden administration appears to be crafting a careful strategy toward North Korea.²¹ However, the persistent U.S. goal of forcing North Korea into a complete, verifiable, and irreversible denuclearization (CVID)²² has little prospect of fruition, because Pyongyang sees nuclearization as its only tool for regime survival. Moreover, any maximum-pressure approach by the U.S. toward North Korea would preclude Beijing-Washington cooperation as China would view any changes in the peninsula's security settings as having a domino effect that would undermine its influence in East Asia. Further pressure would also help fuel Pyongyang's hostility towards neighboring U.S. allies— Japan and South Korea.

There is one area in which the U.S. and China could work together, as can be drawn from the convincing lesson presented by the first regionalism in Europe in the 1950s, which largely ended inter-European warmongering.²³ While applying interdependence theory to North Korea is implausible at this stage, engaging North Korea with economic linkages while pausing—rather than putting an end to—its nuclear program will encourage its sense of playing a positive role and nudge its leaders to relax its nuclearization ambitions. The United States' gain from this approach is that it would leave space for its allies Japan and South Korea to constructively engage North Korea through economic diplomacy with gradual political adjustment. In a meeting with his then Chinese counterpart in 2012, Kim pledged that developing the economy and improving people's livelihoods was the goal of the Workers Party.²⁴

If done successfully, this approach could transform North Korea's economy into a Western-style free market and give the West a share of China's near monopoly over trade with North Korea. With Western economic sanctions partly or substantially relaxed, Pyongyang would not insist on pausing U.S.-Japan or U.S.-South Korea military cooperation. A more liberal Pyongyang would also ease international pressure on Beijing over North Korea's nuclear program, and China's economic and investment opportunities in North Korea will only multiply once the country

21 The first move of Biden's approach to North Korea started with Washington sending its Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin to work with their South Korean and Japanese counterparts. Moreover, the North Korean crisis also topped the March-2021 U.S.-China Alaska Talk's agenda, although disagreement dominated the result.

22 Gilbert Rozman, "Why Did the Hanoi Summit Fail and What Comes Next? Coverage in Four Countries," *Korea Economic Institute of America*, July 29, 2019, http://www.keia.org/sites/default/files/publications/kei_jointus-korea_2019_4.0.pdf.

23 The creation of the European Coal and Steel Community (ECSC) in 1952 became the foundation of the European Union today. The ECSC made war between European states unthinkable as coal and steel, once used as sources of weaponry, were mobilized across the region for industrial and economic purposes instead.

24 Sang-Hun Choe, "North Korea Must Become Prosperous, Leader Says," *The New York Times*, August 03, 2012, <https://www.nytimes.com/2012/08/04/world/asia/kim-jong-un-calls-for-greater-north-korean-prosperity.html>.

is more economically open. Though this option seems to be far from current U.S. considerations under the Biden administration, which emphasizes strategies for advancing U.S. interests, a critical assessment of the failures of the West's previous maximum-pressure measures should provide food for thought regarding alternative options with better long-term prospects.

3-Iran

The U.S. airstrikes on Iran in February 2021 and Biden's refusal to partially lift sanctions²⁵ signaled that Washington is continuing its hostile and confrontational approach towards Tehran. China has adopted a strategic approach toward filling the vacuum thus created by signing the 25-year China-Iran deal in March, with cooperation areas ranging from investment to security and intelligence.²⁶ This deepens Beijing-Tehran ties and brings a China dimension into U.S.-Iran negotiations. On a recent visit to Tehran, Chinese Foreign Minister Wang Yi stated that China firmly supports Iran in safeguarding its state sovereignty and national dignity.²⁷ However, he has also explicitly stated that Beijing will always welcome Washington's return to the Iran nuclear deal, abandoned by Trump in 2018.²⁸

In a surprise move in late March 2021, the U.S. expressed interest in cooperating with China to stop Iran's nuclear program.²⁹ "Competition, as you know, does define our relationship with China, but we do have, in some cases, rather narrow areas of tactical alignment," said State Department Spokesperson Ned Price.³⁰ Although this statement came on the heels of the China-Iran deal, it does signal hope for cooperation.

A solution to the problem will become more viable if Washington and Beijing can reach a compromise. China can use its influence and strategic partnership with Iran to convince Tehran to take a more conciliatory approach to the nuclear talks, while

25 The U.S.-Iran Nuclear Deal was signed in 2015, but the U.S. pulled itself out of the deal in 2018. Washington recently had indirect talks with Tehran in Vienna, coordinated by the EU, and pledged it would return to the deal only if Tehran embraces compliance. However, Tehran also imposed the condition that its compliance shall come at the U.S.'s lift of around 1,500 sanctions and punitive designations imposed by Donald Trump.

26 Murat Sofuoglu, "What the new China-Iran agreement means for the Middle East," *TRT World*, March 29, 2021, <https://www.trtworld.com/magazine/what-the-new-china-iran-agreement-means-for-the-middle-east-45431>.

27 Ibid

28 Reuters Staff, "Iran and China Sign 25-Year Cooperation Agreement," *Reuters*, March 27, 2021, <https://www.reuters.com/article/us-iran-china-idUSKBN2BJ0AD>.

29 Robert Delaney, "US Expresses Interest in Working with China to Curb Iran's Nuclear Programme," *SCMP*, April 01, 2021, <https://www.scmp.com/news/china/diplomacy/article/3127865/us-sees-common-interest-china-curbing-irans-nuclear-programme>.

30 Ibid

Washington can help by relaxing its sanctions to provide an incentive. China could act as an intermediary, if the U.S. softens its hawkish attitude to facilitate that role. Ensuring a future nuclear-free Iran for all could be an exemplary area of cooperation for China and the U.S. while relieving the world at large.

The U.S. and China could subsequently use this positive atmosphere to help cooperate on tackling other regional issues across the Middle East.



(source:pixabay.com)

2.7 Counterterrorism

As the United States and China both expand their global footprints, both powers become increasingly susceptible to threats of terrorism. Terrorism serves as a threat to the millions of Americans and Chinese citizens living abroad, as well as the vast commercial interests belonging to each country. With the United States and China competing for influence and power globally, the U.S. and China would both benefit from an improved security situation, providing the two powers with an opportunity to find common interests and work together. Despite their differences in foreign policy approaches and objectives, neither the U.S. nor China would benefit from regional or global instability.

Historically, China has been considered to have a greater interest in focusing on its domestic security situation rather than the stability of regions outside of its borders. Some scholars have even gone to lengths of describing China's counterterrorism policy as constrained, as the Chinese government prefers to remain loyal to its principles of nonintervention and noninterference. As China's focus has shifted from a

concentration on domestic development to one of expanding its global trade network, China can benefit from deepening its cooperation in the field of counterterrorism with the United States to ultimately promote regional stability in export markets crucial for its financial success.

China continues to address the global threat of terrorism through both multilateral and bilateral initiatives. China participates in the Shanghai Cooperation Organization, the China-Arab States Cooperation Forum, and in several United Nations projects, namely as a permanent member of the Counterterrorism Implementation Taskforce.³¹ China also belongs to regional organizations including the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), ASEAN Plus 3, and the Asia-Pacific Economic Cooperation (APEC).³²

After the terror attacks on the World Trade Center in New York City on September 11, 2001, China and the United States, the two largest economies, began to cooperate in counterterrorism efforts in ways that protected each country's interests. China began to directly engage with the United States through the U.S. Container Security Initiative, airline passenger screening cooperation, and the Megaports project, an initiative with the objective of detecting traces of nuclear and radioactive elements in some of the world's largest maritime ports.³³



Terror attacks have devastating effects (source:sina.com)

31 Dawn Murphy, "China's Approach to International Terrorism," *United States Institute of Peace*, October 2, 2017, <https://www.usip.org/publications/2017/10/chinas-approach-international-terrorism>.

32 Murray Scot Tanner and James Bellacqua, "Chinas Response to Terrorism," *CNA Analysis and Solutions*, June 2016, https://www.uscc.gov/sites/default/files/Research/Chinas%20Response%20to%20Terrorism_CNA061616.pdf

33 Ibid.

Using this as a background, it may be possible to conclude that the United States and China's cooperation in the sphere of counterterrorism efforts is one of few sectors that has transcended the deterioration of the relationship between the two countries. While the U.S. and China may have different reasons for supporting improvements in security situations in particular regions, the fact that neither country would benefit from instability should be a strong enough reason for the two countries to put aside any political differences and work together.

Regions with immense potential for cooperation between the United States and China include the Middle East and Africa. With the Biden Administration recently announcing the country's departure from Afghanistan, where the United States has had a presence for more than two decades, this long-standing dependency on the United States for a security guarantee leaves a vacuum for domestic forces to harness instability for self-gain.³⁴

The U.S. wants to leave behind a conflict typically referred to as an 'endless war' and intends to only leave behind private contractors to monitor the situation. While China may not have an obvious interest in Afghanistan, it should be concerned about regional security and the threat of a resurgence of terror activity due to its level of investment in neighboring Pakistan. Pakistan, which is often referred to as a country with which China has friendly and long-lasting ties, is highly exposed to any spillover effects from Afghanistan.³⁵ As the U.S. seeks to avoid reengagement in Afghanistan, China should take preventative measures to contribute to maintaining stability in Afghanistan in order to protect its Belt and Road projects and the security of Pakistan as a corridor connecting Asia and the Middle East to Africa and beyond.

The United States and China also have the opportunity, as well as an incentive, to work together to address terror groups that affect the interests of both countries, particularly the Islamic State movement. The U.S. has significant experience in countering and containing Islamic State fighters in the Middle East. Recently, a wave of extremism violence has swept across Africa, and Islamic State has recently emerged as a force in both the Sahel and sub-Saharan Africa.³⁶ China is one of the most active investors in Africa, so it naturally has a desire to protect its commercial

34 "Timeline: U.S. War in Afghanistan," Council on Foreign Relations, accessed 27 April, 2021, <https://www.cfr.org/timeline/us-war-afghanistan>.

35 Muhammad Saqib Irshad, Qi Xin and Hamza Arshad, "One Belt and One Road: Does China-Pakistan Economic Corridor Benefit for Pakistan's Economy?" *Journal of Economics and Sustainable Development* 6, no. 24 (December 2015): 200-207.

36 Callum MacLean, "Middle East – The Resurgence of the Islamic State in Syria and Iraq," *Global Risk Insights*, February 13, 2021, <https://globalriskinsights.com/2021/02/middle-east-the-resurgence-of-the-islamic-state-in-syria-and-iraq/>.

interests as well as its own citizens living abroad. While the U.S. does not have as strong of a financial interest in Africa, it would likely want to prevent a resurgence of this movement in the Middle East, and therefore could use this as an opportunity to work hand in hand with China and share experience and intelligence and contribute to the eradication of the movement.

China and Chinese companies possess very valuable trade relations with both the Middle East and Africa. China, which is the world's largest importer of oil, imports approximately 70% of its oil from the Middle East and sub-Saharan Africa. Additionally, the International Monetary Fund estimates that China exports \$155 billion of products to the Middle East and \$83 billion worth of goods to sub-Saharan Africa.³⁷

Expecting China and the U.S. to achieve a widespread, comprehensive agreement on counterterrorism measures is unrealistic. Efforts towards developing cooperation between the United States and China should instead be based on situations where both countries share interests and expertise. Because the U.S. and China are the two largest commercial forces in the world, it would be best for these powers to focus on issues of shared interest that are primarily based on economic issues and transportation, which are perhaps less political than other sectors.³⁸

2.8 Financial Crisis Mitigation

Much like some other issues, the United States and China may have different priorities in and approaches to financial policy management, but on a global level, it is in the interests of both countries to promote and maintain economic stability. Both China and the United States have a stake in a stable and thriving global economy and financial system. The cooperation during the 2008 financial crisis is a testament to it although China, due to its own economic development level and characteristics, were shielded from many effects of it. The financial authorities of China and the U.S. have long worked together on bilateral and multilateral basis within the framework of the International Monetary Fund and G20. The bilateral engagement took part through the Strategic Economic Dialogue, later renamed Strategic and Economic Dialogue.

The 1997 Asian and 2008 global financial crises have shown the value of coordinated

37 Dawn Murphy, "China's Approach to International Terrorism," *United States Institute of Peace*, October 2, 2017, <https://www.usip.org/publications/2017/10/chinas-approach-international-terrorism>.

38 Murray Scot Tanner and James Bellacqua, "Chinas Response to Terrorism," *CNA Analysis and Solutions*, June 2016, https://www.uscc.gov/sites/default/files/Research/Chinas%20Response%20to%20Terrorism_CNA061616.pdf.

approach and unified responses in tackling economic and financial problems.



(source:unsplash.com)

Economic engagement between China and the U.S. is not a choice but a necessity and keeping communication channels open coupled with result-oriented dialogue would benefit not only the two countries but also the global economy. Abstaining from multilateral cooperation gives rise to regionalism and isolates the party that chooses disengagement as in the case of the Regional Comprehensive Economic Partnership (RCEP) trade agreement which has brought together China and some U.S. allies, but not the U.S.

Disengaging China, given the size of its economy and its centrality to global trade, would not serve the U.S. interests. China has been taking meaningful measures to reform its financial market and integrates its regulatory framework with that of the global financial markets. It is only through communication, engagement and cooperation can the West gain insights into Chinese economic and financial management style and decision-making process rather than guessing as outsiders, which is critical in times of crisis.

As U.S. President Joe Biden seeks reengagement with the rest of the world, his administration has introduced policies that are seemingly more conducive towards multilateral approaches and mechanisms. One such measure has been U.S. Treasury Secretary Janet Yellen's introduction for issuing \$650 billion in Special Drawing Rights (SDR), an idea that was blocked by former President Donald Trump.³⁹ The plan of introducing \$650 billion of SDR, the 'reserve asset' of the International Monetary Fund, has positive implications for the economies of poor and developing

39 Andrea Shalal and David Lawder, "Yellen Backs New Allocation of IMF's SDR Currency to Help Poor Nations," *Reuters*, Thomson Reuters, February 25, 2021, <https://www.reuters.com/article/us-g20-usa/yellen-backs-new-allocation-of-imfs-sdr-currency-to-help-poor-nations-idUSKBN2AP1U0>.

countries in particular, enhancing their economic security and stability and helping with poverty alleviation. It goes without saying that China's spectacular success in poverty reduction can also set a model for the rest of the world and Beijing has much to offer to a cooperative work in this area.

The details of the U.S. plan have not been fully established, but Washington has proposed that countries not requiring their allocated SDRs may lend them to other countries or institutions, including multilateral banks. This is an idea that China has expressed support for, meaning that both the U.S. and China could tentatively reallocate some of their SDR shares in a coordinated effort to address challenges to global financial stability, especially in developing countries.⁴⁰

Under such an initiative, the United States could encourage China to use its unique position in global financial governance platforms for good. Focusing on cooperation, the U.S. should seek to engage with China on this issue: Beijing is willing to support the proposal, and China also has the ability to form strong coalitions with other emerging market economies, such as the BRICS.⁴¹ Such countries are large enough where their economic health affects the stability of global markets, but they often lack diversification, exposing the world economy to instability occasionally.

In this specific instance, China and the U.S. can work together to promote global financial stability and prevent, or lessen the severity, of future financial crises. The Biden administration's introduction of this SDR proposal signals a willingness to reengage with the international community, and China can use its place in the IMF and G20 to continue its advocacy for new economic players and emerging economies. By working together to promote access to financing for development, the U.S. and China would be leading an effort to help emerging economies diversify away from a single or handful of sources of revenues, to well-developed, comprehensive, and stable economies, thus avoiding economic and financial instability in the long term.

(Contributors to this article: Marco Carrasco, Austin Clayton, Bunthorn Sok)

40 Kemal Derviş and Sebastián Strauss, "Can Multilateral Cooperation Coexist with Great-Power Rivalry?" *Project Syndicate*, April 21, 2021, <https://www.project-syndicate.org/commentary/us-china-cooperation-on-climate-corporate-tax-and-sdrs-by-kemal-dervis-and-sebastian-strauss-2021-04>.

41 Bessma Momani, "China at the IMF," *Enter the Dragon: China in the International Financial System* (2015).

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