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Retaining Leadership in the Asia-Pacific: Why the US Should Work With China

By James Char

Synopsis

Despite all 21 APEC leaders having endorsed Beijing's move to promote the FTAAP, President Obama continues to harbour hopes that the TPP will serve as a key pathway towards the proposed free trade area in the region. American opposition to Beijing's APEC stance is indicative of US wariness of China's growing stature.

Commentary

THE ANNOUNCEMENT of the recent signing of the China-led Asian Infrastructure Investment Bank (AIIB) was greeted with less than universal acclaim. The developed economies of Japan, South Korea and Australia expressed reservations regarding the bank's standards of governance and transparency though 20 other countries joined it. The United States had been working vigorously behind the scenes to persuade its allies to shun the project, which has been viewed as a challenger to the Western-dominated World Bank and the Japan-led Asian Development Bank (ADB).

US opposition to Chinese initiatives in the Asia-Pacific has similarly been observed with respect to Beijing's proposal of the Free Trade Area of the Asia Pacific (FTAAP) at the recent APEC summit in Beijing. Owing to the huge untapped capacity for economic integration in the region and the inability of the Western-dominated institutions to fulfill their infrastructure needs, it is little wonder that the developing countries in the Asia-Pacific have been keen to embrace Beijing's advances. Rather than work with China, US opposition towards Chinese initiatives may run counter to America's regional leadership status.

Jostling for regional influence in Asia

Pushing back against the US-led Trans-Pacific Partnership (TPP), Beijing has responded by promoting its own versions of multilateral lending institutions as well as set up funds to complement its plans to boost connectivity and infrastructure development in the region. At the same time, China has promoted the Regional Comprehensive Economic Partnership (RCEP) that precludes the US and more recently unsettled US attempts to make further progress with its tentative TPP partners by drawing the region's attention to the FTAAP.

As things stand, there is currently a huge discrepancy between the lending capacity of the World Bank as well as the ADB and the infrastructure assistance required by nations in the region. It therefore comes as no surprise that the signatories to the AIIB – many of whom are still in the economic doldrums – have warmed to China's promise to deliver the infrastructure assistance necessary to kick-start economic development in their own countries.

Likewise, Beijing can be expected to exercise greater influence in the Asia-Pacific via its decision to set up its very own Silk Road Fund to realise Chinese President Xi Jinping's calls for the establishment of the Silk Road Economic Belt and 21st Century Maritime Silk Road.

As witnessed at the APEC summit, China's proposals to set up the FTAAP and its promotion of a feasibility study – later watered down to a 'collective strategic study' - were perceived as rolling back the US' TPP negotiations, thereby further weakening US economic hegemony that has already lost momentum. Put together, China's strategic manoeuvres are expected to boost its status as the leading power in Asia at the expense of the US regional leadership. That is why the US has been vehemently lobbying against Chinese initiatives to shape the regional economic architecture in Asia.

Swimming against the economic tide

Nevertheless the China-dominated AIIB cannot be expected to fully negate extant American and Japanese economic influence in the region. However China's status as both a founding member and the leading contributor in the new lending institution means that it would no longer have to contend with the problems faced in those establishments born out of Bretton Woods.

Where the AIIB is concerned, China should therefore be able to exercise a freer hand in identifying those countries and sectors where infrastructure development funds are to be disbursed. These can only enhance Beijing's relationships in the region and win it greater influence over the longer term.

The momentum of South-South cooperation between Beijing and other developing nations as well as China's invitation for all interested parties to hitch a ride aboard its economic development also show that the immediate priorities of regional political elites may lie in developing their own domestic economies. One such example which has signed on to the AIIB is the Philippines – a staunch US ally and China's rival claimant in the South China Sea. Given how the US had pressured its regional allies against striking a deal with Beijing on the AIIB, it is not implausible that the Philippines might in fact have rejected American overtures.

Under the current period of relative peace and stability in the region, American security goods may not appeal to regional countries as much as those economic rewards provided by China. Moreover, in endorsing the economic proposals that China has been promoting of late, regional leaders have also inadvertently signalled to the US their policy preferences. In pressuring those states keen on receiving Chinese economic engagement, the US may in actual fact be pushing away those very same countries it is trying to court.

New phase in US-China relations?

The recent flurry of US activity in response to Chinese initiatives to take up more regional responsibilities may also reflect greater American awareness of China's growing stature. While the Chinese leadership has retained its membership within the liberal Bretton Woods systems and called for reforms to global governance, Beijing is in reality reorganising the global order by purposefully shifting the balance of power in its favour via bilateral and multilateral platforms. As much as the US would like to ignore China's enunciation of a new type of great power relations, current evidence suggests that we may already have entered into a new phase of Sino-US rivalry.

To be sure, the US still retains considerable leverage in the region as evinced by the APEC leaders' decision to ditch the term "feasibility study" in favour of "collective strategic study" in their joint communiqué, possibly due to pressure from Washington. Regardless, US economic hegemony in the region in particular has borne the brunt of China's rise.

In choosing to work against China – rather than alongside it – as the latter grows to take on even

more responsibilities in the Asia-Pacific and the rest of the world, the US may be making the critical mistake of rendering itself irrelevant to the rise of Asia as the economic centre of the world.

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