Policy Analysis

CATO INSTITUTE

October 3, 2017 | Number 821

Responsible Stakeholders

Why the United States Should Welcome China's Economic Leadership

By Colin Grabow

EXECUTIVE SUMMARY

The Trump administration's decision to abandon the Trans-Pacific Partnership (TPP) coincides with China's interest in playing a more prominent role in advancing trade and economic integration in the Asia-Pacific region. Beijing's willingness to leverage its growing clout to underwrite a number of high-profile economic initiatives in the region, however, has raised concerns in Washington that such efforts will come at U.S. expense.

Such worries are overwrought. Rather than sound the alarm over China's latest moves, policymakers should be open to the possibility that Beijing is finally becoming the responsible stakeholder that many have long urged it to be. On the trade front, encouragement is to be found in senior Chinese officials' rhetorical support for free trade and its institutions, while Chinese leadership's support for the Regional Comprehensive Economic Partnership (RCEP) is a key steppingstone toward eventual realization of a Free Trade Area of the Asia-Pacific. Although in many ways inferior to the TPP, the RCEP's standards could yet be improved, and even if left unchanged they still represent forward progress for free trade in the region.

Meanwhile, China's backing of both the Asian Infrastructure Investment Bank and the One Belt, One Road (OBOR) initiative holds the possibility of much-needed improvements in infrastructure and connectivity that could bolster regional and global trade. With none of its own resources or prestige at stake, the United States stands to benefit considerably, and at little cost, from China's efforts in this regard.

Moreover, zero-sum fears that China's increasing prosperity and commensurate growth in its regional influence come at U.S. expense should be balanced against the dangers presented by a country that is, alternatively, isolated and economically flailing. Mired in its economic failures before opening up to reform in the late 1970s, China was dangerous to both its neighbors and itself, with the country engaging in several border wars as well as the disastrous Great Leap Forward and Cultural Revolution.

Rather than reflexively viewing China's economic initiatives as an affront to U.S. interests, the Trump administration should attempt to harness China's emerging taste for global economic leadership. Instead of focusing so intently on the trade disputes that divide us, the Trump administration should seek to conclude the bilateral investment treaty negotiation and consider the merits of initiating negotiations for a bilateral free trade agreement with China. Through such cooperation, the United States and China could become successful partners in the promotion of trade and prosperity in the increasingly vital Asia-Pacific region.

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INTRODUCTION

A leading argument put forth by some U.S. supporters of the Trans-Pacific Partnership (TPP) was that failure to implement the agreement would redound to the benefit of China, effectively ceding economic and even political leadership in the Asia-Pacific region to Beijing. President Trump's decision to withdraw from the agreement and instead to focus his administration's trade efforts on the negotiation of bilateral deals and revision of past agreements means that such warnings will now be put to the test. By abandoning the TPP, the United States will likely watch from the sidelines as the rules and institutions shaping the region are determined.

Less clear, however, is whether China stands ready to fill the void left by Washington, and even whether a more active role by Beijing should be regarded as undesirable. Indeed, in the wake of recent rhetoric from Chinese President Xi Jinping in support of free trade, and signs of a greater willingness to help advance economic integration efforts in the region via the Regional Comprehensive Economic Partnership (RCEP) and various infrastructure-centered initiatives, the country could conceivably play a welcome and positive role during the U.S. absence from regional trade liberalization efforts.

Amid growing signs that China may be ready to become a more "responsible stakeholder," the Trump administration would be well advised to keep sheathed its rhetorical and executive action swords. International trade is not a zero-sum game, and noncoercive efforts that expand commerce are to be properly viewed as win-win outcomes that benefit the United States and carry the region a step closer to realizing a Free Trade Area of the Asia-Pacific (FTAAP). Just as Chinese economic gains should not be viewed as coming at U.S. expense, similarly the United States gains no economic benefit when China stumbles. Even those with a deeply rooted skepticism of Beijing's goals and intentions should concede that any concerns over an active and growing China are secondary to those of a China that is disengaged and economically troubled. History has repeatedly shown that the country is most dangerous not during times of prosperity and international integration but rather when it is isolated and impoverished.

Instead of worrying about Chinese aspirations to exert economic leadership in the region, Congress and the Trump administration should devote their energies to avoiding trade provocations with China and to addressing the various economic ills that have sapped U.S. economic dynamism and vitality. By avoiding such lose-lose entanglements, further advancing freer trade through new bilateral agreements, and making needed reforms at home, a reinvigorated United States can reemerge on the economic scene in the coming years ready to resume its traditional place as a leading force for expanded international trade and economic integration.

ENCOURAGING FREE TRADE RHETORIC FROM CHINA'S LEADERSHIP

At first glance, China may seem an unlikely candidate to play a leading role in the push for liberalized trade in the Asia-Pacific region. Although the country has made impressive strides since pro-market reforms were first introduced in the late 1970s, the economy remains rife with government intervention, and both U.S. officials and firms have expressed concern over an increase in regulatory barriers and discrimination against foreign companies.[1] Citing such protectionist backsliding and the continued state dominance of the Chinese economy, both the European Union and the United States have refused to accord China market economy status for purposes of applying antidumping measures under their World Trade Organization (WTO) obligations.

However, China has shown possible signs of a growing realization that its economic future lies in breaking down barriers to trade rather than raising them. Perhaps most notably, President Xi provided a needed defense of free trade and globalization during his speech at this year's annual meeting of the World Economic Forum in Davos, Switzerland. Among his remarks, Xi said:

> We must remain committed to developing global free trade and investment, promote trade and investment liberalization and facilitation through opening-up and say no to protectionism. Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air. No one will emerge as a winner in a trade war.[2]

Turning his attention to China's domestic economy, the Chinese leader vowed to pursue unspecified "supply-side structural reforms," measures to "enable the market to play a decisive role in resources allocation," and various other actions designed to encourage investment in the country. "An open door allows both other countries to access the Chinese market and China itself to integrate with the world," he added in a nod toward the mutual benefits of such measures. Meanwhile, at a World Economic Forum event in Dalian, China, in June, Chinese Premier Li Keqiang called free trade a "prerequisite for fair trade" (effectively turning the common refrain that free trade must be fair trade on its head) and called the imposition of unilateral rules "much less advisable than pursuing all-win outcomes."[3]

Less widely reported, Vice Premier Zhang Gaoli (effectively China's seventh-highest-ranking political figure) delivered a keynote speech at the Boao Forum in late March that featured repeated praise for free trade.[4] Presumably taking his cues from President Xi, Zhang's address included calls for reinforcing the multilateral trading system under the auspices of the WTO, making free-trade arrangements more open and inclusive; and he concluded by urging his audience to "work together to push forward economic globalization and free trade" to create a better future for Asia and the world.

Talk is cheap, and it is entirely possible that such rhetoric from senior Chinese leadership was meant to mollify foreign observers while plotting a very different course at home. However, reasons for encouragement do exist. The March 2017 launch of exploratory talks between Canada and China over a possible free trade agreement (FTA) is one positive signal, indicating both a willingness by Beijing to further open its economy and a tentative vote of confidence by Ottawa that China is serious about its desire for increased foreign trade and economic openness.[5] Another seeming indication of China's commitment is the March announcement by the governments of China and New Zealand that they are launching talks aimed at expanding an existing FTA between the two countries. (In addition to New Zealand, China has also signed FTAs with South Korea, Australia, Iceland, and Switzerland within the past five years and has ongoing negotiations for a trilateral FTA with Japan and South Korea.)[6]

A meeting among TPP countries, China, and South Korea in Chile in March also revealed a greater degree of enthusiasm by Beijing for trade liberalization. "The Chinese want to be the leaders, the benchmark. That was not like that before," remarked Paulina Nazal, head of Chile's international trade efforts.[7]

Meanwhile, as part of China's blueprint for development of its domestic automobile industry, the country's National Development and Reform Commission announced plans in April 2017 to raise the ownership limits on foreign carmakers, which had been limited to 50 percent under local joint-venture requirements.[8] Reason for encouragement is also to be found in the agricultural sector, where the removal in recent years of price supports for corn, cotton, soybeans, and sugar has created additional room for imports to meet the country's considerable appetite.[9] Also of note, in July 2017, China announced that it will allow imports of rice from the United States for the first time ever.[10] Such long-overdue measures are hopeful indications of the Chinese government's recognition that successful domestic economic reform must include greater openness and increased foreign participation in the economy.

THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP FORGES AHEAD

China's foremost international trade initiative, of course, is its participation in the Regional

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Comprehensive Economic Partnership. Comprising the 10 member states of the Association of Southeast Asian Nations (ASEAN) and the 6 countries with which the organization has existing free trade deals (Australia, China, India, Japan, South Korea, and New Zealand), the RCEP is, despite its ASEAN roots, widely described as a China-driven effort. That, in turn, has led many observers to characterize the RCEP as a Chinese-led alternative—a rival—to the TPP and a potential economic threat to the United States. However, that characterization is roundly rejected by the governments that are party to both the RCEP and the TPP and that see membership in both as their preference.

The RCEP should be seen for what it is: an agreement that reduces trade barriers, promotes economic growth, and does not preclude members from joining other agreements, including ones with the United States.[11] The RCEP would provide a much-needed boost to regional trade liberalization efforts in the wake of U.S. withdrawal from the TPP. The Asian Development Bank estimates the potential increase in global income from RCEP implementation to be in the neighborhood of $260 billion over 10 years, which is significant although smaller than the expected benefits from a TPP that includes the United States.[12] The Peterson Institute for International Economics (PIIE) estimates global income gains from such a TPP of $492 billion through 2030.[13]

Moreover, the RCEP could advance U.S. interests by further integrating Beijing into the rules-based international order, by providing additional counterinfluences to market-distorting policies, and by further incentivizing the reform and liberalization of China's economy. As the PIIE's Sean Miner has noted, China—like other countries—uses international agreements to "overcome vested interests and push for domestic reforms" and has used such deals in the past to push through economic reforms that were "strongly opposed by powerful groups that profited from the status quo."[14]

The RCEP could also serve as a steppingstone toward an FTAAP, which many regard as the ultimate goal of U.S. trade policy architecture in the region. The connection between the RCEP and FTAAP has already been highlighted by China, with the need to advance both efforts noted by President Xi during his Davos speech. The Chinese leader also cited the need to advance both initiatives during a keynote address to the Asia Pacific Economic Cooperation forum held in Lima, Peru, in November 2016.[15]

The leaders of that forum have designated the RCEP as an officially sanctioned pathway to achieving the FTAAP, and a November 2016 analysis published by the organization cited the initiative as a "key pathway for broader economic integration."[16] Meanwhile, an October 2014 paper by Peter A. Petri and Ali Abdul-Raheem described both the RCEP and the TPP as "represent[ing] foundations for an FTAAP" and wrote that both agreements would "provide essential way-stations for economies on the path to region-wide integration."[17]

RCEP critics have derided the agreement for its lack of ambition and relatively low standards, particularly compared with the TPP. This critique has merit, with the TPP covering a much broader set of topics (30 chapters versus roughly a dozen) and featuring a wider scope of tariff reduction and service-sector liberalization. It is unclear, however, that Beijing is a prime culprit for the lack of willingness to engage in deeper and more widespread tariff reductions. As PIIE's Jacob Funk Kirkegaard points out, China actually desires further tariff liberalization in sectors such as manufacturing and light industry but has encountered resistance from a number of its trading partners in the RCEP who have seen their trade surpluses with China turn into deficits in recent years.[18] That factor suggests that Americans who favor a more liberalized international trading regime should perhaps be fearful not of excessive Chinese clout in the RCEP but rather a lack of it.

Furthermore, with the RCEP yet to be concluded, its more modest standards and scope are far from set in stone, and the agreement's ambitions could still be raised. Indeed, with the TPP's future now clouded by the U.S. exit, it is conceivable that TPP members who are also participating in the RCEP may devote new energy to improving the deal as the best near-term prospect for liberalizing trade in the region. If the praise for free trade and economic integration from senior Chinese leaders is reflected at the negotiating table as talks progress, it could generate momentum for broadening and strengthening the RCEP's standards.

Former president Barack Obama and others, meanwhile, have warned that, should the RCEP advance and the TPP stumble, it will allow "countries like China" to "write the rules of the road for trade in the 21st century."[19] Such language is commonly interpreted as an oblique reference to the FTAAP or other broader initiatives to advance trade in the Asia-Pacific region, and it assumes that either the RCEP or the TPP will be used as the starting point for such efforts.

This type of thinking, however, suffers from at least two possible flaws. First, despite the U.S. withdrawal from the TPP, the initiative is not moribund, with Japan and others attempting to rally the remaining members—the so-called TPP-11—to press ahead toward concluding the deal. Second, even if the TPP meets its demise, it is unclear why the RCEP would serve as the model or likely finishing point of any FTAAP or similar style agreement. Beyond the United States, numerous other countries—including Australia, Japan, New Zealand, and the Pacific Alliance countries—have signaled their interest in more expansive, higher-standards agreements, and such desires would almost certainly be reflected at the negotiating table. The RCEP might set a floor for future negotiations, but there is little reason to view it as some kind of ceiling.

Furthermore, the simultaneous pursuit of both the RCEP and the TPP could have a salutary impact on the advancement of free trade in the region. As a July 2017 report from the Center for Strategic and International Studies (CSIS) notes, a rivalry between the two agreements has the "potential to create a virtuous competition for trade liberalization and needed reform within China."[20]

CHINA'S INFRASTRUCTURE PUSH

Beyond its expressions of interest in leading regional efforts to liberalize trade, the Chinese government has also taken the initiative to begin the process of building the infrastructure linkages necessary for expanded trade and integration in Asia. To that end, China has taken what appears to be a largely two-pronged approach through the Asian Infrastructure Investment Bank (AIIB) and the One Belt, One Road (OBOR) initiative, both of which were proposed in 2013 (and the AIIB was officially established a year later).

China's rationale for launching the AIIB was the need for financing to close a yawning infrastructure gap in the region. Addressing the "daunting infrastructure needs across Asia" is listed by the bank as one of its key objectives.[21] Indeed, the Asian Development Bank claims that $1.5 trillion must be spent per year by developing countries in the region through 2030 to meet their infrastructure needs ($1.7 trillion if one includes the cost of climate change mitigation), compared with current expenditures of $881 billion.[22] Less officially, Chinese frustration with its lack of influence at the World Bank and the organization's funding priorities are suspected to have played key roles.

One Belt, One Road, meanwhile, is the name given to an effort to inject renewed life into ancient trading links between China and Eurasia. Consisting of the land-based Silk Road Economic Belt and the sea-based Maritime Silk Road, OBOR is essentially a series of infrastructure projects designed to build and expand rail, road, energy, and maritime linkages.

In the AIIB and OBOR, China's motives go beyond those officially stated to include an expansion of regional influence and to create demand that might soak up the excess capacity in China's economy. Whether those goals will be realized is unclear, but neither should be viewed as aggressive or otherwise problematic from a U.S. perspective. If China succeeds in expanding its influence in Central Asia, it is likely to do so at the expense of Russia—a trade many U.S. policymakers would likely be perfectly willing to make. That said, having a bigger economic footprint does not necessarily translate into greater political influence. China's role as the top foreign investor in Vietnam, for

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example, has not prevented outbreaks of anti-Chinese protests in the country;[23] its attempted construction of a dam in Myanmar has actually proved a source of contention in bilateral relations;[24] and development of a Chinese-run port project in Sri Lanka has been met with violent demonstrations.[25] As author and China analyst Tom Miller notes, “China will struggle to convince its neighbors to embrace a new regional order centered on Beijing, precisely because they fear its immense economic power. No one wants to become a Chinese vassal.”[26]

Meanwhile, Louis Kuijs, the head of Asia economics at Oxford Economics, notes that OBOR projects are unlikely to figure prominently in resolving China's overcapacity problems because their magnitude is too great and the costs of transporting cement, steel, and other overproduced Chinese products to where they are needed will prove uneconomical.[27] Indeed, to the extent that the initiative should provoke worry, it is that the lack of market forces at work will result in projects that generate poor economic returns.[28] As a consequence, China could find itself facing even more debt, which is already one of the primary risks to the country's—and, by extension, the world's—economic outlook.

U.S. businesses, workers, and consumers, bearing no direct financial risk from OBOR or the AIIB, stand to benefit from those initiatives to the extent that they succeed in spurring more trade and greater prosperity in the region. Although the jury is out on how successful those Chinese-backed initiatives will prove to be, U.S. officials have reason to be at least cautiously optimistic. David Dollar, an economist and China expert at the Brookings Institution, has applauded the twin initiatives as providing the “hardware” of trade and investment that will serve as a counterpart to the “software,” which consists of regional trade agreements.[29] Pieter Bottelier, a visiting scholar of China studies at the Johns Hopkins School of Advanced International Studies, calls OBOR a “very positive initiative and a major vision of how China can collaborate with countries in its neighborhood.”[30] Moreover, McKinsey & Company's Asia chair Kevin Sneader says that OBOR “has the potential to be perhaps the world's largest platform for regional collaboration.”[31]

These individuals are hardly alone in their optimism. Michael Swaine, a China expert at the Carnegie Endowment for International Peace, calls himself a “big supporter” of OBOR, adding that it is “not threatening American interests” and “could be very beneficial” for both China and the countries involved.[32] The July CSIS report, meanwhile, notes that OBOR “compliments [sic] many U.S. interests in the region.”[33] Citing the vast infrastructure needs of the Asia-Pacific region, meanwhile, *Financial Times* columnist Martin Wolf says that “additional Chinese resources should be helpful.”[34]

More fundamentally, policymakers should recognize that, although China may not be operating directly out of the preferred U.S. playbook, its efforts could serve to advance the broader U.S. objectives of peace and prosperity in Asia. At the very least, Beijing should be given the opportunity to succeed before its efforts are placed under a cloud of suspicion. Those who insist on seeing ulterior motives in China's economic initiatives should be wary of self-fulfilling prophecies and of provoking a breakdown in U.S.-China relations that observers almost universally agree would be wildly counterproductive.

Focusing on the AIIB, PIIE Senior Fellow and Director Emeritus C. Fred Bergsten effectively summarized the issue in a 2015 opinion piece:

> As the incumbent power, the United States naturally wants China to support the international rules and institutions that it has led for 70 years. As the rising power, China naturally challenges a status quo it had no role in creating and wants to begin shaping a modified order itself.
>
> The United States has correctly urged China to exercise leadership consistent with its expanding power and to provide more resources to support development and other global goals.

> When the Chinese move in those directions, as they are doing with the AIIB, it is short-sighted and hypocritical for the United States to seek to block them. . . . This U.S. hostility reinforces the Chinese view that U.S. strategy is to contain and suppress it, so increasing rather than decreasing the prospect of uncooperative Chinese behavior.[35]

The United States should never simply take China at its word and assume the best of intentions, but neither should it adopt a default policy of opposition when Beijing seeks to act. China's initiatives may prove to be economic folly or even part of some nefarious agenda, but policymakers should allow for the possibility that its actions will generate real benefits for the region. The ultimate goal of U.S. policy should not be power and influence for their own sake, but peace, stability, and prosperity.

THE DANGERS OF AN ISOLATED CHINA

None of this is to deny that an economically ascendant, authoritarian China will pose geopolitical challenges for the United States. But whatever the downsides of a more assertive and engaged China, they pale in comparison to the economically and politically isolated version of the country that existed from the post–World War II era until the 1970s.

During that period, China proved to be a menace toward both its neighbors and its own population. On the foreign policy front, China engaged in border conflicts with India in 1962 (and further skirmishes in 1967) and the Soviet Union in 1969. It went to war with United Nations forces during the Korean War in the early 1950s. Within China, meanwhile, the repression and backwardness typical of communist countries were interspersed with the horrific paroxysms of violence and economic self-sabotage known as the Cultural Revolution and Great Leap Forward.

Since the formal adoption of Deng Xiaoping's economic reform agenda in December 1978 and political rapprochement with the United States in 1979, however, China has become a much more cooperative and peaceful country. Aside from a conflict with Vietnam in early 1979—which began only weeks after economic reform was officially launched and just days before the reopening of embassies in the United States and China on March 1—and a brief clash in March 1988, also with Vietnam, over part of the Spratly Islands, the country's record has been a largely peaceful one. Although Beijing continues to play a meddlesome and uncooperative role in the South China Sea, China has also shown its helpful side through assistance in the fight against Somali piracy and its status as the largest contributor of the UN Security Council's five permanent members of troops to peacekeeping efforts.[36]

At home, the recent death of democracy activist and Nobel Peace Prize winner Liu Xiaobo under government custody is a painful reminder that the Chinese people's political and civil rights continue to be repressed, and its 1989 massacre of protesters at Tiananmen Square will forever be a stain on the regime. That said, the current restrictions on liberty do not equate to the horrors of previous decades, and average Chinese citizens have experienced a significant increase in their standard of living.

Isolating China politically would run the risk of returning to the strained ties of the pre-rapprochement era. Any policy that treats the United States–China economic relationship as a zero-sum game or views Chinese economic strength as a threat per se would almost certainly prove counterproductive. Rather than a threat, a vibrant Chinese economy is in the national interest of the United States, and any slowdown in bilateral trade or in China's growth would have profoundly adverse consequences for the U.S. economy as well. As the United States' largest trading partner, China is the third-largest market for exported U.S. goods, the top source of imports (whose typically low prices are a boon to U.S. consumers), the second-largest foreign purchaser of Treasury bonds, and a critical low-cost manufacturing platform that boosts the competitiveness of leading U.S.-based firms such as Apple.[37]

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Beyond direct costs, the impairment of China’s economic progress would exert considerable indirect costs as well. China is the leading trading partner not only of the United States but also of most, if not all, major Asia-Pacific economies, including Australia, Japan, South Korea, and Vietnam. Any significant reduction in Chinese growth would have adverse effects throughout the region and beyond. According to a 2016 International Monetary Fund working paper, a 10 percent drop in Chinese imports resulting from a 1 percent slowdown in gross domestic product beyond baseline growth for 2016–17 would “lead to a loss of about 1.2 percent GDP of export revenue in 2016 for all countries.”[38] Network effects, meanwhile, could increase the drop to “2.0 percent of GDP in 2017 before abating gradually by 2020 to about 0.2 percent of GDP.”

POLICY RECOMMENDATIONS

While China has been promoting economic engagement in the Asia-Pacific region, the Trump administration has been moving in the opposite direction (for example, withdrawing the United States from the TPP). Although the most straightforward path to boosting U.S. competitiveness and matching China’s own initiatives would be to rejoin the agreement, statements from President Trump and senior administration officials suggest that this is an unlikely scenario. Nonetheless, a variety of options exist for the administration to repair some of the damage and at least partially recover the U.S. leadership position on trade that has been so casually discarded.

To start, U.S. thought leaders and officials given to deep suspicions should alter their thinking and approach to China. Although China is certainly not a steadfast ally of the United States, neither should it be regarded as a perpetual foe. Chinese and U.S. economic and geopolitical interests will sometimes align and sometimes diverge. Healthy skepticism is always warranted, but policymakers need to be careful that it does not degrade into paranoia and a default position that dark motives are behind all of Beijing’s moves.

To that end, the United States should be careful to avoid acting unilaterally or in rogue fashion in response to perceived economic transgressions by China. Rather, the United States should continue to rely on the rules of trade and the norms established under the WTO for resolving such disputes. That system, although not perfect, has worked remarkably well to prevent trade spats from getting out of control and for delivering justice under the rule of law. As a complainant, the United States has prevailed at the WTO in 91 percent of adjudicated issues.[39] Loudly blaming China for American economic ills and imposing punitive tariffs as retaliation—although perhaps politically attractive—will be not only ineffective but self-defeating as well.

Beyond avoiding unnecessary trade spats with China, the United States should also seize on already existing opportunities to actively improve the bilateral trade relationship. One idea is to conclude the long-running negotiation for a bilateral investment treaty. Enjoying the backing of the U.S.-China Business Council, the American Chamber of Commerce in China, and many other U.S. business groups, an agreement to conclude the bilateral investment treaty was said to be nearing its final stages in the last days of the Obama administration.[40] If the Trump administration were to pick up this effort (which is being negotiated—as the administration prefers—in a bilateral format) soon, on the heels of a May 2017 agreement between Washington and Beijing to liberalize trade in beef, chicken, financial services, banking, and other spheres, it could benefit from that success and find its way across the finish line. Doing so would help liberalize what Yukon Huang and David Stack call “one of the most restrictive investment regimes of any Organisation for Economic Co-operation and Development country for services” and would help generate real gains for U.S. firms in light of their comparative advantages in areas such as finance, communications, information technology, entertainment, and education.[41]

If the Trump administration chooses to be more ambitious, it could also opt to pursue a free trade agreement with Beijing. Although perhaps a fanciful notion to some, there may be scope for achieving a reasonably robust bilateral agreement. As Simon Lester and Huan Zhu suggest in a recent paper:

> Without the TPP or other regional trade initiatives, and with no comprehensive talks going on at the WTO, the best way for the United States to promote market liberalization in China is to go directly to China and negotiate bilaterally on issues related to Chinese restrictions on trade and investment. In the past, there have been discussions between China and the United States on a number of issues, but most of these talks have been merely "dialogues" that did not lead to concrete results. What is needed instead is a formal negotiation that leads to enforceable commitments.[42]

The United States should also take proactive measures to improve the trading environment more broadly and to restore some of its lost leadership. With the TPP seemingly off the table, Washington should make the most of second-best options, including the possible negotiation of bilateral trade agreements with TPP members with which the United States does not already have such deals, particularly Japan and Vietnam. Using the TPP as a template for negotiating these deals—as well as for updating the North American Free Trade Agreement with Canada and Mexico—would carry the dual possibilities of satisfying the needs of 21st-century trade agreements while making it more seamless for the United States to rejoin the TPP and help steer the partnership toward an FTAAP in the not-too-distant future.

Last, policymakers must realize that it is they rather than China or other foreign countries who will ultimately determine whether the United States finds itself on the path to economic prosperity. How much the U.S. economy grows will be determined far more by what happens in Washington than in Beijing. Instead of blaming foreign actors for U.S. economic ills, policymakers should leverage their position and power to restore any lost economic luster. It is not China that has burdened the United States with a byzantine tax code or any number of costly regulations that sap the country's vitality and undermine its growth.[43] Republicans—the putative party of personal responsibility—in the White House and Congress should seek to put their own economic house in order before focusing on alleged troubles being inflicted by other countries.

CONCLUSION

China's rise has prompted considerable anxiety over its growing economic strength. Indeed, a feeling appears to have taken hold among significant parts of the American electorate—as well as within the White House—that China's increasing might has come at U.S. expense. That, in turn, has led to a knee-jerk reaction among some observers that China's international economic initiatives such as the RCEP, the AIIB, and OBOR pose some kind of threat to U.S. interests or are at least causes for extra vigilance.

Rather than reflexively expressing suspicion or opposition to China's moves, the possibility should at least be entertained that the world's second-largest economy is beginning to shoulder some of the leadership burden for the advancement of free trade and deeper economic integration.

While the RCEP is no one's free-trade ideal, it should nonetheless be valued as a steppingstone to a fully liberalized Asia-Pacific region, reducing trade barriers at a time when broader efforts to do so appear to be flagging. China's rhetorical support for free trade should be similarly appreciated. Although the depth of this commitment is yet to be seen, such messaging by Beijing sends an important signal at a time when traditional leaders such as the United States have become derelict in their duties.

Presumably the United States will eventually come to its senses and rejoin the multilateral trade game. In the meantime, policymakers should avoid unnecessary trade spats, work toward liberalizing trade and investment through bilateral agreements, and stay focused on initiatives to keep the United States commercially engaged in Asia.

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NOTES

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