

Great Decisions, Katonah Chapter
January 10, 2012
Topic Introduction outline (Charlie Kimball)

1. Selected Views of 'Experts'

a. Daniel Yergin "The Quest" - There is a risk around this change in the balance of the world oil market: that commercial competition could turn into a national rivalry that gets cast in terms of 'threats' and 'security', disrupting the working relationships that the world economy requires. All this could stir up the specter of a naval arms race reminiscent of the Anglo-German race that did so much to inflame the tensions that ignited the First World War.

b. Henry Kissinger "On China" - When the Chinese view of preemption encounters the Western concept of deterrence, a vicious circle can result: acts conceived as defensive in China may be treated as aggressive by the outside world; deterrent moves by the West may be interpreted in China as encirclement. Relations between China and the US need not – and should not – become a zero-sum game. Contemporary leaders can have no illusions about the destructive potential they are capable of unleashing. The crucial competition between the US and China is more likely to be economic and social than military. The US bears the responsibility to retain its competitiveness and its world role.

c. Friedman/Mandlebaum (author of Frugal Superpower) "This Used To Be Us" - There are four major challenges for America: how to adapt to globalization, how to adjust to the information technology revolution, how to cope with the large and soaring budget deficits stemming from the growing demands on government at every level and how to manage a world of both rising energy consumption and rising climate threats. If we don't shrink the deficit to a more manageable size while investing in our traditional formula for success and if we don't address our long term clean energy needs while mitigating climate change, we will effectively be outsourcing America's fate to the two most merciless, unemotional and unrelenting forces on the planet: the market and Mother Nature.

d. "In 'A Contest for Supremacy,' Aaron L. Friedberg outlines several reasons a closer relationship between the two powers is possible: economic interdependence, the prospect that China may become more open and democratic, its continuing integration into the international system, common threats like climate change, and nuclear weapons. Nonetheless, he believes two other factors — a growing clash of interests and deep ideological and political differences — will prove more decisive and will make the relationship more tense and competitive. Friedberg seeks to counter China's rise in its own region by the deployment of hard power. This will inevitably lead to a more tense and dangerous international environment, quite possibly a new cold war. It is also highly doubtful whether it can be successful. America's problem, ultimately, is not military but

economic." - Martin Jacques, author of "When China Rules the World: The End of the Western World and the Birth of a New Global Order."

e. ZBIGNIEW BRZEZINSKI - For the United States, the central challenge over the next several decades will be to revitalize itself while promoting a larger West and accommodating China's rising global status. If the U.S. and China can accommodate each other on a broad range of issues, the prospects for stability in Asia will be greatly increased. That is especially likely if the U.S. can encourage a genuine reconciliation between China and Japan while mitigating the growing rivalry between China and India. In Asia, the U.S. role should be that of regional balancer and conciliator, replicating the role played by the U.K. in intra-European politics during the 19th and early 20th centuries. The guiding principle of U.S. foreign policy in Asia should be to uphold U.S. obligations to Japan and South Korea while not being drawn into a war between Asian powers on the mainland.

f. Yan Xuetong, the author of "Ancient Chinese Thought, Modern Chinese Power," is a professor of political science and dean of the Institute of Modern International Relations at Tsinghua University. – With China's growing influence over the global economy, and its increasing ability to project military power, competition between the United States and China is inevitable. The key to international influence was political power, and the central attribute of political power was morally informed leadership. The philosophers generally agreed that humane authority would win in any competition with hegemony or tyranny. States relying on military or economic power without concern for morally informed leadership are bound to fail. Over the next decade, China's new leaders will be drawn from a generation that experienced the hardships of the Cultural Revolution. They are resolute and will most likely value political principles more than material benefits.

g. CTK – All seems to agree that the relationship between China and the US is crucial and going to be difficult; most believe the economic part of the relationship to be most important. The role played by the UK in 19th and 20th centuries seems to me at best to have been temporarily successful in extending Great Britain's #1 status for decades and then passing that status along to the US, but the UK clearly failed the world in terms of avoiding major war and destruction – so I would qualify my endorsement for Brezezinski's views and lean toward Kissinger's: "Co-evolution means that both countries pursue their domestic imperatives, cooperating where possible, and adjust their relations to minimize conflict. They need to ask themselves 'Where will a conflict take us?'".

2. Significant Recent Developments (from suggested readings)

a. Geopolitical – FT August 31, 2011 China confronts Indian navy vessel – it was in the South China Sea having left Vietnam. FT Sept 29th Fears are growing over the hold China's well-equipped army has on foreign policy. US/China Meet in Annual Military Review. (attempting to coordinate). Seoul beefs up fight to stop illegal fishing. (it

is all around China) 11/17/11 Australia US defense agreement confirms China's fears – FT October 12, 2011 Chinese military mobilises cybermilitias

b. Financial – Asian WSJ 'The Phony Success of China's Stimulus Easy Money' has delayed Beijing's day of reckoning. Expect to see a lot of bank loans go bad. 10/5/2011 - Beijing today warned that implementation of the Currency Exchange Rate Oversight Reform Act now under debate in the US Senate would amount to "trade war". 11/15/2011 NYTimes If China is going to help ease Europe's financial crisis, silken strings could be attached. Premier Wen Jiabao on Wednesday offered to help Europe. But, in an unprecedented move for China, he linked the offer to a potentially onerous demand: that Europe renounce its main legal defense against low-priced Chinese exports.

c. Economic/Corporate – 1.China will levy duties on imports of some U.S.-made cars in retaliation for U.S. trade policies. 2. Cathay Industrial Biotech patents taken by plant manager to start competitor located nearby. . . RARE EARTHS - China's renewed efforts to enforce environmental regulations over rare earths mining make it more difficult to argue that they are a pretext for protectionism. Chinese authorities have stepped up efforts to enforce production quotas and redoubled efforts to impose strict environmental rules on the industry. For overseas consumers affected by China's policies, Beijing's renewed efforts to enforce domestic regulations complicate efforts to pursue a case against China on export quotas and tariffs at the WTO. While China's accession agreement of 2001 forbids the use of such measures, except for the purposes of environmental protection and the conservation of scarce resources.

d. North Korea – Death of Kim Jong-il. Seemingly peaceful transition conceals tensions.

e. TWO MOST IMPORTANT: about rare earth exports NYTimes 8/24/2011 "Chasing Rare Earths, Foreign Companies Expand in China" Keith Bradsher "China has long used access to its giant customer base and cheap labor as bargaining chips to persuade foreign companies to open factories within its borders. Now, corporate executives say, it is using its near monopoly on certain minerals — in particular, scarce metals vital to products like hybrid cars, cellphones and energy-efficient light bulbs — to make it difficult for foreign manufacturers of high-tech materials to build or expand factories anywhere except China." AND NYTimes 9/15/2011 – Keith Bradsher – 'Amid Tension, China Blocks Vital Exports to Japan' Sharply raising the stakes in a dispute over Japan's detention of a Chinese fishing trawler captain, the Chinese government has blocked exports to Japan of a crucial category of minerals used in products like hybrid cars, wind turbines and guided missiles. Chinese customs officials are halting shipments to Japan of so-called rare earth elements, preventing them from being loading aboard ships at Chinese ports, industry officials said on Thursday. Prime Minister Wen Jiabao personally called for Japan's release of the captain, who was detained after his vessel collided with two Japanese coast guard vessels about 40 minutes apart as he tried to fish in waters controlled by Japan but long claimed by China.

3. Most Recent Developments

a. Geopolitical - #1 - Political Transition in NK. – WSJ “China Takes Aim at US Naval Might”

b. Financial – Petro-China buys oils sand project. Sinopec enters US shale market. Local Chinese audits reveal financing vehicle flaws of about \$100 billion

c. Economic/Corporate – Chinese shipbuilders plunge reflects broad stress. FT “China’s cheating on WTO is harming their own consumers and stoking up protectionism abroad”

4. Concluding Comments